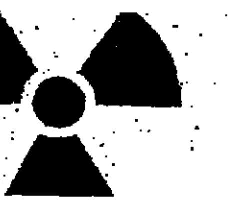

Power-hungry Asia
Bright spot in a gloomy nuclear energy market
Page 18

Reuters buy-back
When too much cash can be a curse
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Joint enterprise
Science takes a genetic route to arthritis cures
Page 15

Mean streets
Brazil kills its children
Page 5

FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY JULY 27 1993 — D8523A

Reuters to spend up to £350m on share repurchase

Reuters, the international news and information group, is to spend up to £350m ($525m) buying back its own shares in the largest repurchase operation by a British company since the mid-1980s. News of the plan, under which Reuters would take back 5.8 per cent of its equity, sent the shares up 36p to £14.40. Page 21; Editorial Comment, Page 17; Lex, Page 20; London stocks, Page 33

Israel forces continue onslaught: Fears for the future of the Middle East peace process intensified as Israeli forces continued their onslaught against Arab guerrilla positions in Lebanon. The attacks drew retaliatory fire and a wave of condemnation from Arab governments. Page 20; Picture, Page 4

VW and Suzuki drop minicar plan: The recession has forced Volkswagen and Suzuki to abandon a planned joint venture to develop and manufacture a new minicar for the European market. Page 21; GM fires new salvo in row with VW, Page 2

Champagne losses hit LVMH profits: Losses from its champagne business were the main cause of a 20 per cent fall in net profits to FFr1.03bn ($175m) at LVMH, one of the world's largest luxury goods groups, in the first six months of 1993. Page 21

Multiple sclerosis drug approved: The first effective treatment for multiple sclerosis has been approved for use in the US, the world's largest market, by the Food and Drug Administration. Betaseron was developed by Schering, the German bioscience group. Page 2; Ways to break a vicious circle, Page 15

UN threatens retaliation: United Nations military commanders denounced a Serb bombardment of their forces in Sarajevo as cowardly and threatened to retaliate if they came under attack again. Page 3; Bosnian factions gather for peace talks, Page 3

South Korea air crash: At least 45 people survived when a South Korean airliner carrying 106 passengers and crew crashed in bad weather on the southern tip of the peninsula. The Asiana Airlines Boeing 737-500 was en route from Seoul to Mokpo airport.

Former US army commander dies:

Matthew B. Ridgway, who commanded the US army's first major airborne campaign during the second world war, led the 82nd Airborne Division on D-Day and later succeeded Gen. Douglas MacArthur during the Korean War, died aged 98.

Suez bid: Suez, one of France's largest industrial and financial holding companies, made a bid for full control of Victoire, the French insurance group in which Suez already holds a 63.21 per cent stake.

Queues at Italian petrol stations: The Italian government tried to minimise the effects of the first day of a two-week strike by thousands of independent road hauliers as queues built up at petrol stations and some stores claimed supplies of fresh food and vegetables were running low. Page 2

Boeing, the world's largest commercial aircraft manufacturer, reported a slight drop in second quarter net income to $426m from $432m. Page 21

BMW sales fall 9%: Sales at BMW, the German luxury car manufacturer, fell 9 per cent to DM14.7bn ($8.5bn) in the first half of this year.Page 22

Chevron: Profits at Chevron, the US energy group, were hit by restructuring charges of $552m to cover the proposed disposal of two refineries and 200 service stations. The group reported net income for the second quarter of $50m, down from $315m. Page 23

MGM: Crédit Lyonnais, the French bank which owns the Hollywood film studio Metro-Goldwyn-Mayer, has appointed Frank Mancuso, former chairman of Paramount Pictures, as MGM's new chairman and chief executive. Page 24

Bechstein files for bankruptcy: The German piano maker Bechstein, whose early customers included the composers Franz Liszt, Richard Wagner and Claude Debussy, has filed for bankruptcy.

■ STOCK MARKET INDICES

FT-SE 100:	2844.2	(+16.5)
Yield	4.02	
FT-SE Eurotrack 100	1240.21	(+15.79)
FT-A All-Share	1409.55	(+0.5%)
Nikkei	19,822.08	(+87.51)
New York: lunchtime		
Dow Jones Ind Ave	3560.71	(+13.97)
S&P Composite	448.52	(+1.42)

■ US LUNCHTIME RATES

Federal Funds:	3⅛%	
3-mo Treas Bills: Yld	3.146%	
Long Bond	105$\frac{13}{32}$	
Yield	6.7%	

■ LONDON MONEY

3-mo Interbank	6$\frac{1}{16}$%	(same)
Liffe long gilt future:	Sep 108¼	(Sep108$\frac{3}{32}$)

■ NORTH SEA OIL (Argus)

Brent 15-day (Sep)	$16.81	(16.65)

■ Gold

New York Comex (Aug)	$393.1	(390)
London	$393.2	(390.5)

■ STERLING

New York lunchtime:		
$	1.501	
London:		
$	1.502	(1.497)
DM	2.59	(2.5725)
FFr	8.8425	(8.79)
SFr	2.285	(2.2725)
Y	160.5	(159.75)
£ Index	82.0	(81.7)

■ DOLLAR

New York lunchtime:		
DM	1.72385	
FFr	5.887	
SFr	1.521	
Y	106.62	
London:		
DM	1.7245	(1.719)
FFr	5.8875	(5.8725)
SFr	1.521	(1.518)
Y	106.85	(106.8)
$ Index	66.0	(65.9)

Tokyo close Y 106.68

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10
Belgium	BFr60	Hungary	Ft172	Neth	Fl 3.75	Slovak Rp	KSL45
Bulgaria	Lw25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT220
Croatia	HRD5700	India	Rs40	Norway	NKr16.00	South Africa	R12.00
Cyprus	C£1.00	Israel	Shk5.90	Oman	OR1.50	Spain	Pta210
Czech Rp	Kcs45	Italy	L2700	Pakistan	Rs35	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Philippines	Pso45	Switz	SFr3.30
Egypt	E£4.50	Kuwait	Fils.600	Poland	Zl 22,000	Syria	S£50.00
Finland	FM12	Lebanon	US$1.25	Portugal	Es215	Tunisia	Din1.250
France	FFr9.00	Lux	LFr60	Qatar	QR12.00	Turkey	L8000
						UAE	Dh11.00

Chaos follows central bank move to cancel pre-1993 banknotes

Yeltsin softens rouble blow

By John Lloyd in Moscow

MR BORIS YELTSIN, the Russian president, yesterday watered down the central bank's abrupt cancellation of pre-1993 rouble notes, following a wave of protests by the public, in parliament and from within his own cabinet.

After returning early from a two-week holiday, Mr Yeltsin issued a decree which moderates but leaves in place Saturday's central bank move to withdraw all Soviet and Russian notes printed between 1961 and 1992 in Russia and other former Soviet republics.

But his decision partially to back the central bank gravely disappointed reformists in the government, who had earlier in the day hoped that he would simply annul the ruling.

Mr Yeltsin's move, which failed to heal the widening rift within his own government, came amid scenes of anger and confusion in the country's streets. Russians – many elderly – queued at the doors of the savings banks which had been told to exchange their old roubles. However, many banks stayed closed for the day. At shops and kiosks, old notes were refused but few had a supply of new notes.

Holidaymakers in Sochi and other Black Sea resorts found themselves unable to pay hotel bills and fares home, while businesses, both Russian and foreign, tried unsuccessfully to convert large balances drawn out to meet their end-of-the-month bills. There were widespread complaints at the ill-explained, unexpected and confiscatory measure.

Western officials both inside and outside Russia also expressed concern at the growing disarray within the government and its possible impact on Russia's fragile economic reforms.

There is also concern over the future of the reforms among officials in the Group of Seven leading industrial nations. The G7 earlier this year agreed a $44bn package to assist the Russian economy.

Officials expressed a loss of confidence in a process which had appeared promising over the past two months, and said there were growing difficulties about agreeing further tranches of assistance to the authorities in Moscow.

Professor Jeffrey Sachs, the adviser to the Russian government, said that the central bank's move was "inexcusable" and reflected a "Communist mentality in the leadership". The action might be "designed to cover up corruption".

Parliament's conservative chairman Mr Ruslan Khasbulatov threatened to recall parliament to sack any official responsible for the plan unless it were amended.

Reflecting the deep divisions in the government over the measure, Mr Boris Fyodorov, the deputy prime minister in charge of finance, demanded yesterday from Washington that it be annulled.

The bank's move was backed by Mr Viktor Chernomyrdin, the prime minister, and brusquely announced to his senior ministers on Friday night. There was no consultation with any finance minister, nor with Mr Yeltsin himself, nor with the leaderships of the former Soviet republics which remain within the rouble zone.

Mr Fyodorov, who returns to Moscow today, faces a critical choice whether to accept the compromise announced by Mr Yeltsin or to continue fighting for its annulment.

Mr Yeltsin's decree raises the amount of cash individuals can exchange from Rbs35,000 to Rbs100,000 and extends the period in which this can be done from August 7 to August 31. It also allows the free exchange of the 10,000-rouble note, even if it bears the 1992 date.

A rouble own goal, Page 2
Editorial Comment, Page 19

Russians queue at a Moscow bank to exchange old roubles amid scenes of anger and confusion on the streets over the central bank move Reuter

News Corp buys Asian TV operator

By Raymond Snoddy in London and Simon Holberton in Guangdong

MR RUPERT MURDOCH's News Corporation yesterday bought control of HutchVision, operator of StarTV, a Hong Kong-based satellite television system whose broadcasts reach 38 countries from China and Indonesia to Japan and Afghanistan.

The $525m deal takes Mr Murdoch a large step towards realising his media ambitions in Asia. Star TV's five channels, including BBC World Service Television, are available to around 45m viewers in 11m homes.

Half the consideration for the deal, which values Star at $850m, is in cash and the other half in News Corp shares.

Mr Murdoch said last night: "I am very, very thrilled. It's got a long way to go but it has got the potential to be two or three Skys."

News Corp has a 50 per cent stake in British Sky Broadcasting, which runs Sky Television in the UK, a venture in which Pearson, owner of the Financial Times, also has a stake.

Mr Murdoch beat Pearson, the media and banking group to take a 63.6 per cent stake in the Hong Kong broadcaster. Some Pearson executives apparently thought until recently that the deal was theirs. Pearson was not available for comment last night.

Mr Murdoch signed the HutchVision agreement last Thursday on his yacht Morning Glory with Mr Li Ka-shing, one of the richest men in Hong Kong. Mr Li and his family own 50 per cent of HutchVision. The rest is owned by Hutchison Whampoa, a company which Mr Li controls.

A Hong Kong executive close to the negotiations said last night: "I don't think that Julian Mounter [chief executive of Star] is a very happy man. He's not sure if it is Christmas or Easter. He was dealing with Pearson."

Pearson is believed to have offered considerably more than News Corp for the Star stake. A key factor in the deal may have been an undertaking by Mr Murdoch to have a public issue of HutchVision shares so Mr Li could sell his remaining stake if

Continued on Page 20
Lex, Page 20

ERM under heavy strain as central banks intervene

By James Blitz, Economics Staff

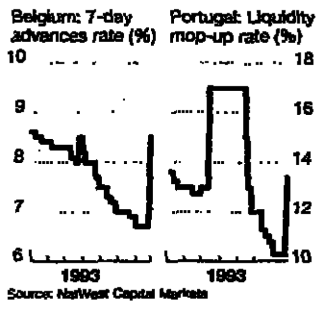
THE European exchange rate mechanism continued to come under heavy strain yesterday, with the central banks of Belgium and Portugal raising short-term interest rates to defend their currencies and the French franc remaining close to its floor against the D-Mark in the European monetary system.

Neither the Bank of France nor the Bundesbank intervened in currency markets yesterday to support the French franc, in marked contrast to their operations at the end of last week in which they bought francs for D-Mark in huge quantities.

However, no early end to the crisis over the franc was in sight, and two other currencies – the Danish krone and the Spanish peseta – also came under heavy selling pressure from speculators and international investors.

Foreign exchange dealers said the immediate fate of the French currency – and perhaps of Europe's semi-fixed exchange rate system as a whole – would depend on Thursday's Bundesbank council meeting, the last before its summer recess.

European interest rates



Source: NatWest Capital Markets

The German authorities will come under strong pressure to cut their official interest rates to allow other European countries to do the same, thereby stimulating their recession-hit economies.

There was a strong view among currency analysts and dealers that the Bundesbank would have to cut its discount rate by at least ½ a percentage point this week – to 6.25 per cent – to stem the crisis. However, inflationary pressures in Germany have continued to set a limit to the amount by which some Bundesbank council members are willing to see monetary policy eased.

The Belgian authorities were forced to raise their seven-day advances rate from 6.7 per cent to 8.5 per cent after the Belgian franc came under strong selling pressure in the morning. The central bank of Portugal also raised its liquidity mop-up rate from 10.25 per cent to 13.39 per cent after heavy selling of the escudo last week.

Belgium's move helped to restore the franc to a close of BFr20.73 against the D-Mark after it had been at BFr20.78 earlier in the day. But some analysts suggested that the heavy selling of the currency, which has been closely tied to the D-Mark in recent years, implied that some dealers believed the ERM might collapse.

The French franc closed yesterday at FFr3.414 to the D-Mark from a previous FFr3.416.

German inflation, Page 20
Currencies, Page 40
Anglo-French summit, Page 20

S African ultra-right attacks draft new constitution

By Patti Waldmeir in Johannesburg

THE FIRST draft of a multiracial constitution for South Africa was unveiled yesterday, provoking immediate condemnation from the ultra-right Conservative party.

"It is a recipe for civil war, further economic deterioration and a spiral of violence and crime, which will reduce the country to ruin," said party leader Mr Ferdi Hartzenberg, adding that the CP would not return to negotiations.

Fears of heightened ethnic violence were expressed by many yesterday, following Sunday's massacre of at least 10 people during a church service in a white suburb of Cape Town.

Democracy negotiators charged with drawing up a constitution to ease tensions in a multiracial state, published an outline of an interim constitution under which the first elections would be held next April. This would remain in force until a final constitution is agreed by an elected constituent assembly.

But the document, the product of months of negotiation, begged the most important questions: how power should be shared within the planned multi-party cabinet; and how it should be distributed between central and regional governments.

The mainly-Zulu Inkatha Freedom party refused to attend yesterday's talks, though the party executive met to consider the document. It is likely to reject the draft. Inkatha has said it will continue to take part in bilateral negotiations but will not return to multi-party talks unless it is given an effective veto over proceedings.

Political analysts point out, however, that much recent progress on constitutional issues has been achieved in bilateral meetings between the three most important parties – the ruling National party, the African National Congress and Inkatha – with agreements then ratified by multi-party talks.

The draft focuses on devolution of power to regional

Continued on Page 20

CONTENTS

GM fires new salvo in row with VW

By Christopher Parkes

GENERAL MOTORS has opened up a new flank in its assault on Volkswagen by raising doubts about legal testimony from Mr Ferdinand Piëch, the VW chairman.

Lawyers representing Adam Opel, GM's German subsidiary, have written to public prosecutors in Hamburg, suggesting they examine "discrepancies" between evidence in a civil case in Hamburg on July 15.

The letter is the most explicit attempt yet by Opel to involve Mr Piëch directly in the GM/VW industrial espionage case.

At the July 15 hearing written and verbal testimony from GM employees clashed with affidavits from Mr José Ignacio López de Arriortúa, VW's production director, and two of his colleagues. Other evidence, produced by lawyers for Der Spiegel news magazine, which was fighting a VW attempt to prevent it effectively from reporting on the VW/GM industrial espionage case, contradicted a statement from Mr Piëch.

The VW chairman said in an affidavit that Mr López did not decide to leave GM for VW until March 9. However, the magazine's lawyers produced an article from the March edition of a magazine, TopBusiness, showing photographs of VW board members. A picture of Mr López was captioned "Production" and marked "New". Mr Peter Carl, editor-in-charge of the magazine, said yesterday the edition closed for printing on February 3. The inclusion of the López appointment had been confirmed by VW, he said, "otherwise, we would not have known".

Other clashes of testimony concerned a wad of documents allegedly handed to Mr López shortly before he was due to leave GM, missing photographs of a new Opel car, and details of a secret diesel engine.

The court later ruled mainly in favour of Der Spiegel, allowing it to continue its reporting of "admissible suspicions", and obliged VW to pay the lion's share of the costs.

Volkswagen said yesterday that it it stood by all the statements presented at the hearing. "These are affidavits, and therefore true," Mr Lutz Schilling, chief spokesman said.

In a further development yesterday, Mr Jens Neumann, a VW director, stated that at no time had he asked for or been given any GM secret documents. He was replying to revelations at the weekend of contacts between himself and Mr López in early February, around the time when Mr Lopez was given more details of GM group plans.

Mr Neumann, whose responsibilities by that time had been expanded to include group management development, as well as corporate strategy and organisation, said he met and spoke to Mr López for the first time on January 15. He discussed VW's proposed terms of employment on several occasions between February 4 and when Mr López finally signed the contract on March 9.

Rome tries to contain road chaos

By Haig Simonian in Milan

THE Italian government yesterday tried to minimise the impact of the first day of a two-week strike by thousands of independent road hauliers as queues built up at petrol stations and some stores claimed supplies of fresh food and vegetables were running low.

Mr Michele Sellitti, a junior transport minister, underlined the rights of non-striking drivers to continue working and warned the government might intervene to guarantee supplies if talks with the striking Unatras union failed.

"It is unthinkable in a modern law-abiding state to leave big cities without supplies of food or fuel for a fortnight," he said.

Mr Raffaele Costa, the transport minister, expressed optimism about the outcome of talks which were continuing last night between the government and hauliers.

He indicated the government might be prepared to grant concessions on the price of diesel fuel.

The Unatras union has demanded tax breaks worth some L250bn ($158m) this year and an increase of almost 20 per cent in state-controlled tariffs. The union groups more than 100,000 small and medium-sized haulage companies, but two other confederations in the sector have ignored the strike call.

The signs of flexibility on the part of the government contrasted with a clear determination by ministers not to let the striking hauliers gain the upper hand.

Government officials took pains to point out that many petrol stations would continue to be supplied normally, as many big oil companies had their own tanker fleets. Some fuel tankers were escorted by police yesterday.

Officials from non-striking transport unions noted that Unatras drivers represented only about 30 per cent of Italy's road hauliers.

Up to 60 per cent of petrol is distributed by either non-striking unions or by the oil companies' own fleets, according to one estimate.

However, panic buying by motorists or the possibility of blockades of fuel depots by striking hauliers means there is still a risk of some petrol stations running dry.

The government and non-striking hauliers are also concerned that striking drivers might obstruct highways and frontier crossings if they believe the strike is not having enough effect.

Newspapers at the weekend painted an alarming picture of the effects the strike could have as Italy approaches its peak August holiday season. They warned of empty shops and dry petrol pumps and said millions could have their vacations ruined.

Schering's MS drug approved for use in US

By Paul Abrahams

THE FIRST effective treatment for multiple sclerosis (MS) has been approved for use in the US, the world's largest market, by the Food and Drug Administration.

The approval is the first anywhere in the world for the drug, called Betaseron, which was developed by Schering, the German bioscience group. It is the first to treat the underlying disease. Existing therapies only reduce the symptoms of illness, not its progression.

Schering's shares rose DM15.50 to DM850.

The medicine, a biotechnology-derived product, was recommended by an FDA advisory committee in March for the treatment of relapsing/remitting multiple sclerosis. It was only submitted in June last year, which demonstrates the FDA's belief in the urgent need for the product.

The drug has proved difficult to manufacture in commercial quantities and will be made in the US by Chiron Corp, a Californian-based company which will receive 15 per cent of sales. Chiron's shares rose $2⅝ to $67⅞ by mid-session.

Schering is building a European production facility and plans to start clinical trials there shortly.

The disease affects as many as 350,000 people in the US, of whom between 125,000 and 150,000 suffer from this form of multiple sclerosis. In Europe there are about 3m multiple sclerosis sufferers. About 65 per cent of patients are women.

Betaseron will cost between $5,000 and $7,000 per patient per year. Schering estimates treatment of multiple sclerosis can currently cost up to $20,000 a year. The German group is predicting annual sales of up to DM750m by the end of the decade.

The approval was given on the basis of a trial of more than 300 multiple sclerosis patients. It showed that Betaseron can double the time between attacks as well as lessening their severity. Side effects include fevers and flu-like symptoms.

Yeltsin lets in a rouble own-goal

John Lloyd on the bewildering politics of a central bank move

WHEN senior ministers of the Russian government were summoned to a meeting in the cabinet of ministers building in Moscow on Friday night, they had been given no warning of what they were to be told.

Mr Viktor Chernomyrdin, the prime minister, told them the central bank had decided to announce the next day that:

- All pre-1993 notes in circulation would cease to be honoured from the following Monday;
- Russians had two weeks in which they could change up to Rbs35,000 of old for new money (foreigners one day);
- And arrangements would be made for those former Soviet republics still in the rouble zone – 10 out of 15 – to exchange their old notes.

There was little discussion: according to one account of the meeting, the decision had already been taken and Mr Chernomyrdin, with Mr Viktor Gerashchenko, the central bank chairman, used the meeting simply to inform the ministers, not to ask their opinion.

No representative of the finance ministry attended the meeting: Mr Boris Fyodorov, the deputy prime minister in charge of finance, was in Washington and Mr Sergei Dubinin, his first deputy, had just gone on holiday.

Mr Andrei Vavilov, the ranking deputy minister, was told of the move after the meeting by Mr Anatoly Chubais, the deputy prime minister in charge of privatisation – the only minister present to raise objections.

The decision was published on Saturday morning and immediately led to queues at the shops and the currency exchange offices as people tried to exchange pre-1993 notes for goods and hard currency. By Sunday, the old notes were being exchanged for about Rbs2,000 to the dollar.

As the citizens queued again at those shops that were open on Sunday morning, the president had cut short a two-week break in the Russian countryside to return to Moscow – where a series of decisions by the parliament over the past week had put in jeopardy the privatisation programme, control of the budget and the position of foreign banks.

Among his first visitors were Mr Sergei Filatov, his chief of staff, and Mr Vavilov: they begged him to sign an order rescinding the decision of the central bank and firing Mr Gerashchenko. They met several times: at the last meeting, they were sure he would sign such a decree.

Mr Fyodorov gave an interview from Washington to the Moscow Radio Mayak, denouncing the move as "a provocation aimed at the prestige of the state, the president and the government" – even though he must by then have known that the prime minister had approved the move.

He was not alone. Mr Ruslan Khasbulatov, the Russian parliamentary speaker and an increasingly bitter foe of the president, went on television also to demand that the bank rescind, and threatened to fire "senior officials" if it refused. Mr Khasbulatov, under the existing constitution, has the power to see that this was done: the central bank is responsible to parliament, not to the government or the president.

Others crowded on to the bandwagon. The leadership of the hardline National Salvation Front saw the move as one made by the "anti-popular" forces in the cabinet to "establish a colonial regime (controlled) by pro-western puppets".

The Civic Union, which prefers to be known as centrist, also blamed the government, in particular the reformers within it – just the people who were yesterday striving to get the decision reversed.

As far as can be determined, it was the central bank's leadership and the centrists in the government, led by the prime minister, who took the decision. The reformists were against it more because of method than aim: for one thing, to make it clear that the currency is Russian gives the other republics notice that they must abide by central bank discipline, long an aim of the reformers.

But, as Mr Fyodorov said, the announcement was reminiscent of a command economy rather than what might be expected of a reforming government.

Mr Yeltsin called an emergency meeting of his security council yesterday afternoon – after which he issued a decree aimed at "protecting the rights and legitimate interests of the citizens", lifting the ceiling of money to be changed to Rbs100,000 and extending the deadline for changing roubles until the end of August. He also decreed that Rbs10,000 notes could be exchanged freely, even if they bore the 1992 date.

Mr Yeltsin's role has dismayed western economists. Professor Stanley Fisher, the former chief economist for the World Bank, said: "Yeltsin has softened the original move but it's still a very bad idea. It shouldn't have been done. It's not terrible to create a new currency but it is terrible to confiscate roubles from those who work in the free part of the economy."

Mr Fyodorov, whose public statements have been vitriolic, returns from Washington today and must decide whether to submit to the president's compromise or to oppose it, possibly to the extent of submitting his resignation as minister responsible for the country's finances.

It will be a hard choice, for it will be in the face of evidence that the government's anti-inflationary policy was beginning to show some results.

President Mitterrand and prime ministers Major and Balladur after yesterday's summit in London

Reuter

Kazakhs to receive $86m IMF credit

THE International Monetary Fund has approved a $86m credit for Kazakhstan from its systemic transformation facility, a new loan fund designed to help countries from eastern Europe and the former Soviet Union make the leap to a market economy, writes George Graham in Washington.

It said Kazakhstan had succeeded in restraining the size of its budget deficit by improving tax collection, cutting spending and reducing subsidies, with a deficit target of 6 per cent of gross domestic product this year.

The Kazakh economic programme aims for a sharp reduction in inflation by the end of the year, together with an acceleration of structural reforms and a strengthening of the country's official reserves.

UN plea over Cyprus clash

The UN yesterday urged restraint in Cyprus and said 13 of its troops had been injured at the weekend when hundreds of Greek-Cypriot motorcyclists tried to cross into the Turkish zone, Agencies report.

On Sunday, up to 1,000 motorcyclists protesting against the 19-year division of Cyprus barged past Greek-Cypriot police and UN troops into the buffer zone, provoking fights and stone-throwing with Turkish troops.

Kurd rebels set kidnap terms

Kurdish rebels said yesterday they would release six kidnapped foreign tourists if Turkey stopped military operations against them in the southeast Reuters reports. The Düsseldorf-based Kurd-Ha news agency, which is close to the Kurdistan Workers Party (PKK), quoted guerrilla sources as saying the four Frenchmen, a Briton and an Australian were their "guests" and were not being ill-treated.

It said the rebels had also seized a Turkish policeman and a soldier from another vehicle on the same road. The PKK abducted two other tourists from the Tatvan area on July 4.

EC agrees to links by steelmakers

By Lionel Barber in Brussels

THE European Commission, yesterday gave the go-ahead for Usinor Sacilor, the world's second largest steelmaker, and Arbed, the Luxembourg steel producer, to rationalise their businesses.

The merger and swap of activities is the latest deal between Arbed and Usinor of France to have received Commission blessing. The aim is to restructure the depressed European steel market.

The announcement comes two days before the Commission debates scaled-back plans for Brussels to vet more cross-border takeovers.

Under the Usinor-Arbed agreement, Arbed will specialise in the production and marketing of sheet piling and beams now carried out by both companies. Usinor will take over Arbed's wire road and rails business, except rails for travelling cranes.

Warsaw 'ready to revive talks with creditors'

By Christopher Bobinski in Warsaw and Anthony Robinson in London

THE Polish finance minister, Mr Jerzy Osiatynski, yesterday proclaimed Warsaw's willingness to resume debt reduction negotiations with its commercial bank creditors but "only if we are certain that the banks are ready to conduct constructive talks in good faith".

The first round of talks to reduce and reschedule Poland's $12.3bn (£8.2bn) debt to the London Club of commercial bank creditors collapsed last week after the Poles rejected the Club's starting offer.

Mr Osiatynski emphasised that "Poland needs an agreement with the banks but not at any price, not at the price of undermining the present reforms and agreements with other partners". This was a reference to Poland's 1991 agreement with the Paris Club which reduced the $33bn owed to western governments by 50 per cent.

Poland is looking for a similar reduction in its commercial bank debt burden. But Mr Osiatynski said the proposal presented by the banks last week represented "a 28 per cent reduction, which, after subtracting the $2.5bn up-front payment that implementation of the agreement would cost, signifies an 8 per cent net reduction".

The assessment was contested by a spokesman for the London Club last night, who said that Poland, which the club classifies as a "middle income, European country", was offered a 33 per cent reduction, closely aligned to the standard Brady-type debt reduction which is usually only offered to developing country debtors. He emphasised that the banks presented the offer as a "starting point for negotiations" and added: "We also want to sit down and continue negotiations with Poland."

The 10-man London Club negotiating team represents over 400 creditor banks, including the heavily committed German and other European banks which are anxious not to create a precedent for generous debt reduction which could be seized upon by Russia, Bulgaria and other big debtors. But the banks recognise that the political hiatus before the Polish general elections on September 19 offers a "window of opportunity" for an agreement.

The Polish negotiators, meanwhile, are restrained by tight, IMF-imposed budgetary restraints and heavy existing repayment commitments to the Paris Club and other creditors. Warsaw has obtained pledges worth $1.3bn from the World Bank and other international institutions to finance a London Club deal and is ready to devote $400m a year to servicing its commercial bank debt.

According to Mr Osiatynski, the London Club's proposal would initially mean annual payments of $600m increasing swiftly to $1bn a year.

Turkey reviews its spheres of influence

Ankara is raising its profile in regional and Middle East affairs, writes John Murray Brown

WHEN a senior US strategist allots Turkey a prominent role in American Middle East policy a few raised eyebrows should be expected in Ankara. Surprising then that there was so little Turkish press comment after such an assessment by Mr Martin Indyk, a key adviser to the Clinton Administration; a measure perhaps of how Turkish opinion has absorbed the changes wrought by the Gulf War.

Turkey is tentatively assuming a higher profile across a broad range of policies, from the Arab-Israeli dispute, to the region's water problems and the unresolved issue of Iraq and the Kurdish question.

Underlining the point, Mr Hikmet Cetin this week becomes the first Turkish foreign minister to visit Israel since it was founded in 1948.

Part of Ankara's apparent willingness to assume a greater regional role is no doubt tactical and comes from a realisation that its application to membership of the European Community is stalled and its future in European security structures unclear.

But the strategic arguments for rethinking policy are also compelling. In the wake of the Gulf War, Turkish officials have come to accept that even a threat to the security of a distant Gulf state has a direct impact on Turkey. This perception is the main reason for the $4bn Turkish Defence Fund, set up in the wake of the conflict with Baghdad to boost Turkish defence capability.

The turning point was the late President Turgut Ozal's decision, taken against domestic opposition, to allow the US to use Turkey's bases in the war with Iraq. If there is now to be a regional solution in the wake of any Arab -Israeli peace settlement, Turkey will have an important role, controlling as it does two of the region's main rivers the Euphrates and the Tigris.

Certainly a few years ago it would have been unthinkable for an Arab minister to suggest that Turkey had a role in the Middle East peace process. It would have been equally unthinkable for a Turkish minister to welcome such an idea. But Arab governments have been acknowledging Turkey's weight in the region – as did Mr Talal Al-Hassan, Jordan's minister of state for foreign affairs, when Mr Cetin arrived in Amman, on the first stop of his five-day regional shuttle.

More broadly, Turkey offers itself as a model of moderation, an economic and military power which is Moslem and secular, and a long time ally of the US. The US for its part has helped nurture a thaw in Turkey's relations with the Syrians, although ties remain fraught.

Conversely while US relations with Iran remain frozen, Turkey provides an informal conduit for US interests particularly on the commercial side, where Turkish subsidiaries of US companies are doing lively trade with Tehran.

But considerable difficulties remain, not least the Turkish perception that its immediate neighbours are helping forment Turkey's own Kurdish problem through support for the Kurdistan Workers party, the PKK. At its crudest, Turkish diplomacy towards the Arabs has been a form of damage control.

Recent efforts to win Syrian assurances on curbing PKK activities have come to nothing. The breakdown of a short-lived ceasefire in May is in part attributed to Syrian disappointment at the failure to make progress on talks towards a final allocation of the waters of the Euphrates.

Many Turks still disapprove of moves to strengthen links with Moslem neighbours and there is some anxiety that Turkey's increased involvement in the Middle East could divert its energies from achieving its overriding goal – to be part of Europe.

NEWS: EUROPE

Fury at Serb attack on French

UN general issues order to retaliate

UNITED NATIONS military commanders yesterday denounced a Serb bombardment of their forces in Sarajevo as cowardly and threatened to retaliate if they came under attack again, Reuter reports from Sarajevo.

Lieutenant-General Francis Briquemont, commander of UN troops in Bosnia, said his men had been "maliciously" targeted by Serb gunners on Sunday. "That is the last time that we restrain ourselves from exercising our right to self-defence," he told a news briefing.

The artillery attack, in which French UN peacekeeping troops escaped injury but several armoured vehicles were severely damaged, came just hours after a ceasefire was supposed to go into effect.

French General Jean Cot, who commands all UN troops in former Yugoslavia, arrived in Sarajevo to visit the scene of the attack at the Zetra stadium, used in the 1984 Winter Olympics, and said he fully supported Gen Briquemont's stand.

"It is probably the most serious and the most cowardly attack [on UN forces] since the start of this unfortunate affair," he said. "It is clear.... the attack came from a Serb unit."

The French troops who had come under attack had not been able to respond, but action had been taken to enable them to retaliate in future, said Gen Cot. He declined to give details.

Mr Radovan Karadzic, leader of the Bosnian Serbs, denied his forces were responsible, accusing the Moslems of doing it to undermine peace talks due to start in Geneva today.

A spokesman for Unprofor, the UN Protection Force, said Serb officers were expected to visit the stadium to take part in a UN investigation. They would be shown from analysis of the shell craters that only their forces could have been responsible.

Nato has assembled a force of 60 combat aircraft in Italy, which are ready to back up UN troops in Bosnia if they are attacked while protecting "safe areas" for Moslems. Sarajevo is one of six UN designated havens.

Bosnian factions gather for peace talks in Geneva

By Laura Silber in Geneva

THE MAIN protagonists in the Bosnian civil war will meet in Geneva today to resume peace talks on the republic's division along ethnic lines and a possible end to the 16-month conflict.

The talks will centre on peace proposals which Lord Owen, the international mediator, has called a "painful compromise".

Mr Radovan Karadzic, the Bosnian Serb leader, and Mr Mate Boban, his Croatian counterpart, have eagerly backed proposals which would result in a three-way partition of the republic along ethnic lines.

Bosnian President Alija Izetbegovic has rejected their proposal to create a loose confederation on the grounds that it would be tantamount to the carve-up of Bosnia by force and would eventually lead to the annexation of much of the country to neighbouring Serbia and Croatia.

Before leaving the Bosnian capital, Mr Izetbegovic revealed a glimmer of hope for the results of the Geneva talks: "I am going to Geneva with hope but with fear. But I am firmly resolved to break the cycle of killing and suffering. If this chances exists, we'll find it this time," he said.

Mr Izetbegovic is expected to propose a federation comprised of several provinces. The Bosnian delegation to the Geneva talks is designed to reflect his calls to preserve the republic as a united, multi-ethnic state. Comprised of Moslems, Croats and Serbs, it covers the spectrum of political parties.

Mr Franjo Tudjman, president of Croatia, and Serbian President Slobodan Milosevic will today also attend the talks, which are chaired by Lord Owen and Mr Thorvald Stoltenberg, the European Community and United Nations envoys respectively. The negotiations, which will remain in session until a political solution is found, were postponed twice last week because of Serb attacks on government strongholds.

While attention was focused on the tightening Serb noose around the Bosnian capital, Serb forces widened their strategic land corridor at Brcko in north-east Bosnia.

In the event of a partition, Serb and Croat leaders had agreed to give Moslems, the biggest ethnic group, access at Brcko, to the River Sava to the north, and to the Croatian Adriatic port of Ploce, to the west. But the Serbian advance on Brcko has now made the realisation of this offer even more unlikely.

The Serbs control all the key rivers in Bosnia except for the Neretva, which is mostly controlled by the Croats.

OECD fears for faltering Romanian reforms

By Anthony Robinson

THE Romanian government's gradual approach to market reforms has failed to overcome the influence of hostile interest groups while market signals have been "diluted and distorted" by bureaucratic interventionism, the Organisation for Economic Co-operation and Development found in its first economic assessment.

It acknowledges the harsh legacy of extreme centralisation, economic autarky and the absence of earlier reforms bequeathed by the Ceausescu regime. It also notes progress in establishing the legal structure for a market economy and privatisation. But it underlines that the collapse in output is now longer and deeper than in other post-Communist reforming states, while inflation remains high and exports are only growing slowly. The desire to minimise the social pain of transition has led in practice to "a lack of coherence". As a result, "price liberalisation remains incomplete and state enterprises are not financially disciplined, undermining policy credibility and requiring continued administrative intervention and subsidies".

Expectations of further price liberalisation have helped maintain inflationary fears which have interacted with the exchange rate to produce a dangerous cycle, the report warns. "A determined effort is now necessary to rapidly complete price liberalisation, stabilise the exchange rate and accelerate those structural reforms which would improve the financial discipline of enterprises."

Noting that the economy is dominated by monopolies and tight oligopolies, the report states bluntly that "the imposition of financial discipline on enterprises is fundamental". It suggests closing 110 of the biggest loss-makers and calls for an effective bankruptcy law and decentralisation and acceleration of privatisation.

The report also chronicles the incompetence and confusion of the legislative and administrative structures which have been "overwhelmed" by the reform programme. "The situation remains critical, with the foundations for a sustained recovery and transformation not yet laid."

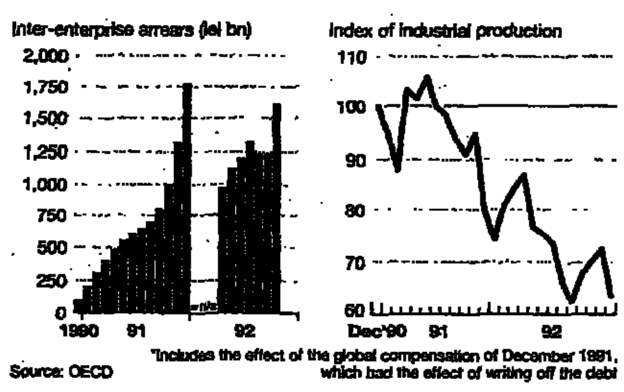
Feet drag on road to market

Change goes against grain for many in government, write Virginia Marsh and Robert Corzine in Bucharest

ROMANIA faces increased economic and political uncertainty following last Friday's failure to reach agreement on a new stand-by arrangement with the International Monetary Fund.

This is another setback for the government as the failure blocks some $3bn in badly needed foreign credits from the European Community and the G24 developed countries. Few now expect the minority administration led by Mr Nicolae Vacaroiu, which relies on ex-Communist and nationalist parties for its survival, to last in its present form beyond the autumn.

Romania



*Includes the effect of the global compensation of December 1991, which had the effect of writing off the debt

Source: OECD

The talks foundered chiefly over the IMF's concern at delay in the reform of large state enterprises and the general lack of financial discipline resulting in high inflation. A small technical team plans to return to Bucharest next week to help the finance ministry prepare for a return of a full IMF mission in the autumn.

The heart of the problem lies in the state-owned enterprises which still account for 90 per cent of industrial production. Inter-enterprise debts were written off in January 1992, but have risen again to around $2.4bn, equivalent to 20 per cent of GDP. Enterprises have also taken advantage of negative real interest rates to run up large debts to banks. The 100 most indebted state companies alone have bank debts equivalent to nearly $300m.

Continuing access to cheap credits has undermined the banking system, starved the emerging private sector of capital and threatens macro-economic stability. The government, which includes several non-partisan technocrats but lacks parliamentary support, has been unwilling to take firm action which would involve the politically unpopular closure of large state enterprises.

Reformers in the government intend to set up a restructuring agency by the autumn to deal with the 100 most troubled companies, mainly in metallurgy, machine-building and chemicals.

They also plan to complete legislation needed for enterprise reform over the summer parliamentary recess. This includes laws covering bankruptcy, the protection of competition, small and medium-sized enterprises, and capital markets and securities.

But the main problem is not always the lack of legislation. "Market instruments don't work because they are not applied fully. We still have to fight for market mechanisms," says Mr Misu Negritoiu, deputy prime minister who is considered the cabinet's key reformer.

Pro-reform opposition parties simply do not believe that an administration staffed with many former senior Communists is capable of leading the country through the transition.

"The government is incompetent because it does not understand or have confidence in market mechanisms," says Mr Adrian Severin, an opposition leader and reform minister in Romania's first post-Communist government. "There is general acceptance of the market economy, but in following this route the government is acting against its deepest convictions."

Nevertheless, the government has presided over some of the biggest price rises since the overthrow of the Ceausescu regime in December 1989. Its eight months in office have seen the final stages of price liberalisation, with big cuts in subsidies which pushed up prices of some basic foods and domestic energy more than five-fold in May. The introduction of 18 per cent value added tax on July 1 and the abolition of a 30 per cent mark-up limit on retailers have led to further price rises.

"Poland and Bulgaria went for one-time liberalisation in 1991," says Mr Mugur Isarescu, central bank governor. "Then, they had 600 per cent inflation, but now it is down to two digits. We are still fighting inflation of over 200 per cent."

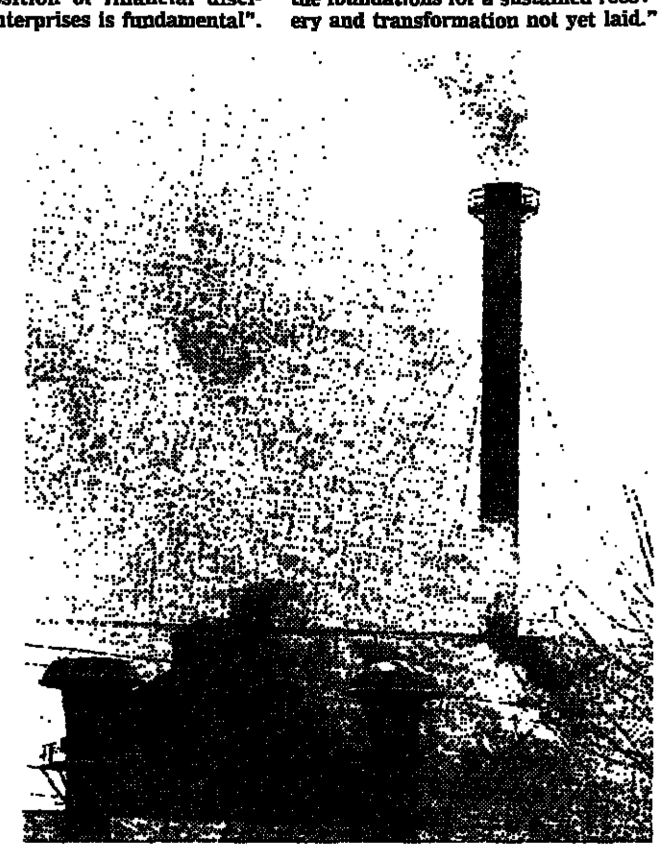
The governing party, the recently renamed Social Democracy Party of Romania, which narrowly won last September's general election by promising gradual reform and increased attention to social welfare, has further fuelled inflation by granting generous pay rises.

Official statistics for May show that pay awards more than matched a monthly inflation rate of 30 per cent. But cash handouts have not been enough to bolster the government's popularity. More than 60 per cent of the public considers the government's performance as "poor", according to a recent survey by Irsop, a Bucharest polling organisation.

The government has been damaged further by its failure to respond to widespread allegations of mismanagement and corruption. Both the prime minister and his transport minister have repeatedly failed to state their involvement in the recent sale of Petromin, the country's main shipping company, to a little-known Greek concern.

Instead, the prime minister attempted to deflect attention from his role in the deal by accusing the former transport minister of setting up a ghost company with a reputable Norwegian company through which to siphon off Petromin's profits.

Similarly, there has been little official response to a parliamentary commission which suggested several leading members of the government, including the finance minister, be investigated for corruption.



UP IN SMOKE: State concerns, like this steelworks, are consuming much of the available credit

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US urges Asia to help curb N-arms

By Victor Mallet in Singapore

THE US secretary of state, Mr Warren Christopher, yesterday urged Asian countries to help curb the spread of nuclear weapons and warned them that the growing sophistication of their economies meant Asia could become an important source of equipment for missiles and for chemical and biological weapons.

"This is a growing problem for Asia because economic and technological development means the region can now produce chemicals, sophisticated electronics and other products and services that the proliferators want, but are now denied in Europe and the US," he said.

"Asia is at the stage when its participation in international agreements and establishment of export control regimes are most important."

He was addressing the annual meeting between the six foreign ministers of the Association of South East Nations (Asean) and their "dialogue partners" from the EC, the US, Japan, South Korea, Australia, New Zealand and Canada. Asean comprises Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

The main weapons proliferation problems raised at the talks in Singapore concern North Korea, which is suspected of having a nuclear weapons programme in breach of its obligations under the nuclear non-proliferation treaty (NPT), and China, which is accused by the US of exporting parts for medium-range M-11 missiles to Pakistan.

Western countries, however, are also worried that Asian companies are starting to supply lethal equipment and technology outside Asia.

In March a shipment of eight steel reactor vessels which could have been used for making nerve gas or mustard gas were seized in Singapore on their way to Libya under a UN arms embargo against Tripoli. They were made in Malaysia. Libya said the vessels were for making lubricated mud used in oil drilling.

Several other foreign ministers joined Mr Christopher yesterday in emphasising the importance of non-proliferation of weapons of mass destruction, after the first informal gathering on Sunday of a new, 18-member Asia-Pacific forum to discuss security issues.

Western ministers defended their interpretation of human rights and democracy in the face of criticism from Asean leaders, and called for the release of Ms Aung San Suu Kyi, the detained Burmese opposition leader.

"Some have argued that democracy is somehow unsuited for Asia and that our emphasis on human rights is a mask for western cultural imperialism," Mr Christopher said. "They could not be more wrong. In fact, democracy has been strengthened over the last decade around Asia, in Taiwan and Korea, in the Philippines and Thailand, in Mongolia and elsewhere. The yearnings for more freedom are not a western export; they are a human instinct."

● The meeting also moved closer to calling a special meeting to review the conflict in Cambodia after United Nations peacekeepers leave next month, Reuter adds.

"Involvement in the post-UNTAC (United Nations Transitional Authority in Cambodia) political framework would help prevent the unravelling of the election achievements and develop a constituency of opinion on the need for the international community to help provide stability in post-election Cambodia," Asean said.

Associated Press

Israeli soldiers cover their ears as a tank fires towards Hizbollah positions from the security zone in South Lebanon yesterday. The bombardment followed rocket attacks against Israeli troops by Hizbollah and its Palestinian allies

Nigerian rivals to discuss handover by military

NIGERIA'S Social Democratic party (SDP) is considering further talks in Abuja today with its rival, the National Republican Convention (NRC), and the National Electoral Commission (NEC) as civilian politicians search for a peaceful end to the eight-year military rule of President Ibrahim Babangida, writes Paul Adams in Lagos.

The presence of both parties at the meeting could revive plans for an interim civilian government, which Gen Babangida proposed early this month, then rejected after both parties had agreed to take part.

The SDP stands by the claim to victory by its candidate, Mr Moshood Abiola, in the June presidential elections, which the government annulled, and rejects Gen Babangida's proposal for new polls before the scheduled handover of power on August 27.

Although the party's national executive plans to attend the tripartite meeting merely to state its opposition to fresh polls, it has a powerful fringe group, many of them former governors and presidential candidates, who are sceptical about the validity of direct talks.

The positions of all the factions in Nigeria's political deadlock have appeared so intractable in the past week that the government has prevailed on groups of traditional chiefs to counsel moderation.

Kuwait set to make $1bn claim

Kuwait is preparing a $1bn claim against Baghdad for cleaning up the oil well fires that swept the country at the end of the 1991 Gulf War, Reuter reports from Geneva.

Mr Abdulrahman al-Houty, chairman of the Kuwait government body assessing damage caused by Iraq's seven-month occupation of the emirate, said the claim would be presented to a special United Nations body in the next few days. "This will be the first of the big claims against Iraq. It has symbolic importance for us, and we believe it should be given priority attention," Mr al-Houty added.

The Geneva-based Compensation Commission has been meeting regularly since the summer of 1991 and officials say it has already received some 700,000 claims with an expected 500,000 more in the pipeline from individuals, firms and states.

The total value of all claims is expected to be between $100bn and $200bn, according to experts at the Commission. Mr al-Houty was speaking in an interview before a three-day meeting of the governing council of the Compensation Commission.

BJP chief prepares for Hindu India

Advani is determined to broaden the party base, according to Shiraz Sidhva

AFTER years of being a party of upper caste Hindus and small traders, the Hindu right-wing Bharatiya Janata Party (BJP) has decided that it must broaden its base if it is to achieve its goal of wresting power in New Delhi.

Mr Lal Krishna Advani, the soft-spoken 65-year-old head of the BJP has been assuring Moslems they will be safe in a Hindu India, and more secure than they have been in a secular country with Mr Narasimha Rao's Congress (I) government at the helm.

Already, the BJP's committees are nominating members of the less privileged classes, something hitherto unheard of in the élitist Hindu party. Mr Advani is also doing all he can to get away from the party's Moslem-bashing image.

Recently re-elected BJP president, the frail man who would be prime minister, refuses to accept blame for the country-wide murders of nearly 2,000 people after his party encouraged the destruction of a mosque at Ayodhya last December. Nine months after India's most traumatic event since partition, the BJP is much stronger than when Ayodhya was its single issue.

Mr Advani has never been apologetic about his party's decision to support the destruction of the mosque, which became a symbol of India's secularism after his party insisted that it stood on the birthplace of the Hindu god, Ram.

He blames the Congress and other opposition parties for not explaining to the country's Moslems that the mosque at Ayodhya had long ceased to be used by Moslems for prayer, and instead housed a temple since 1986 when Mr Rajiv Gandhi was prime minister. A local magistrate that year allowed Hindus access to the Mosque for worship.

Mr Advani is prepared to face a snap poll in the event of the Rao government falling. The man who engineered the Hindu party's meteoric rise from two seats in the Lower House in 1984 to 118 in 1991, knows that Ayodhya can bring the party no further political gain, and that there is a need to widen his party's agenda.

"We have always had a comprehensive approach to the nation's problems," insists Mr Advani. "It so happened that the principal issue agitating people's minds was Ayodhya in 1991," he said last week. "Any party who aspires to govern as pluralistic a country as India cannot afford to concentrate on one issue."

Besides, claims Advani, building a new temple on the site of the mosque has become "the nation's cause", with even the Congress (I) jumping on the bandwagon and sponsoring a religious ceremony there. But he will staunchly oppose the introduction of a bill this week which seeks to detach religion from politics.

However, secular-minded Indians are aware that if the BJP came to power it could change the face of Indian democracy. The bloodbath after Ayodhya is fresh in the minds of minorities who know that not all Advani supporters are as reasonable as he is.

Corruption in high places is the BJP's newest mantra. With Mr Rao's credibility in question after accusations of involvement in the Bombay financial scandal, Mr Advani has been projecting himself as a credible alternative.

Much of Mr Advani's confidence stems from the fact that the BJP is sure of winning the polls in the four states where its governments were dismissed after the Ayodhya-related violence.

These include Uttar Pradesh, India's most populous state and Madhya Pradesh, India's largest state, Rajasthan and Himachal Pradesh. Already, the party, aided by the disciplined cadres of the Rashtriya Swayam Seva Sangh (RSS), the parent Hindu organisation, is campaigning in the four states, where elections are due in October.

The party plans to form a "shadow cabinet" during the monsoon session of parliament to expose the government's "failures" in key areas such as home and foreign affairs, defence, education and health.

The BJP will also intensify its campaign criticising Congress (I) handling of the Kashmir insurgency.

The party has periodically jettisoned its right-wing policies to criticise the government's economic reforms programme. Mr Advani insists that there are no contradictions in the party's economic platform. "We are all for liberalisation," he says. "But internal liberalisation must precede globalisation, and be carried out in phases."

THE Indian government faced its third no-confidence motion in 25 months yesterday, writes Shiraz Sidhva.

It was sponsored by the Communist Party of India (Marxist), with the support of the Bharatiya Janata party (BJP), the National Front and the Left Front.

A day of acrimonious debate followed the motion, with the Congress (I) staunchly defending Mr Narasimha Rao, the prime minister, in the face of allegations that he had accepted a Rs10m (£214,000) pay-off from Mr Harshad Mehta, the main accused in the Bombay financial scandal.

Senior parliamentarians such as Mr Jaswant Singh of the BJP and Mr George Fernandes of the Janata Dal launched a blistering attack on the government for its policies of "drift, lack of leadership, corruption, and economic mismanagement". Socialist parties and the right-wing BJP, which has become the largest opposition group in India by capitalising on Hindu nationalism and fundamentalism, appeared to want to drive Mr Rao out of power for different reasons.

Legislators will debate for two days and Mr Rao will be allowed to defend himself tomorrow before the vote.

Mr Fernandes spoke at length to the House about how Congress (I) had "sold out" to large multinationals such as the US company, Cargill, whose proposed salt project near Kandla port in Gujarat would lead to 25,000 people losing their jobs and pose a security threat. He also accused the government of covering up the Bofors gun scandal, six years after it broke.

Strike action at Hyundai group starts to collapse

By John Burton in Seoul

THE INDUSTRIAL action at Hyundai, South Korea's largest conglomerate, appeared to be collapsing yesterday as two of eight striking companies concluded wage agreements. A third one is expected to do so today.

Tension eased as the bulk of the riot police deployed around the many Hyundai factories in the southeast city of Ulsan were pulled out, witnesses said.

Five Hyundai subsidiaries remain embroiled in labour unrest. Workers are pressing for better wages and working conditions.

The strike at Hyundai Motor, the largest of the Hyundai subsidiaries disrupted by industrial action since last month, ended last week.

Workers at Hyundai Pipe and Hyundai Precision & Industry agreed to accept the company's 4.7 per cent pay offer in return for increased fringe benefits. Hyundai Mipo Dockyard is expected to reach a similar accord today.

The Labour Ministry is concentrating its efforts on ending the dispute at Hyundai Heavy Industries (HHI), the group's shipbuilding unit and the largest subsidiary still on strike.

But HHI workers are insisting on the reinstatement of fired trade union members, which the government refuses to accept as part of a wage agreement. Officials are threatening to invoke emergency powers to end the strike as they did with Hyundai Motor.

The South Korean government has berated Hyundai management for its poor industrial relations and vowed to take as yet unspecified action against the company when the unrest finally ends.

● A Boeing 737 of Asiana Airline yesterday crashed into a mountain near Mokpo, South Korea, as it tried to land during a severe storm. About 63 of the 106 passengers on the flight from Seoul were killed.

It was first crash suffered by Asiana since South Korea's second carrier was established in 1988.

The aircraft had made three unsuccessful approaches to land at Mokpo and was trying again when it hit the mountain due to low visibility.

The aircraft was insured for $30m, with Lloyd's holding 99.34 per cent of the insurance.

Discount cosmetics draw makers' fire

By Emiko Terazono in Tokyo

SHISEIDO, Japan's leading cosmetic maker, has clamped down on a Tokyo-based discount retailer, by cancelling shipments from its distribution subsidiaries. Shiseido said Kawachiya, a successful drinks discounter which has also started to sell cosmetics, was wholesaling rather than retailing cosmetics.

However, Kawachiya is planning to file a complaint to the Fair Trade Commission, the country's anti-monopoly watchdog, next week, claiming that Shiseido's actions were intended to stop the discounting of its high-grade cosmetics.

Although resale price maintenance of cosmetic products was cut to 24 low-priced items last year, the industry has traditionally had a tight grip on retail pricing of its products through its retail network.

Kawachiya, an unlisted company, is one of the first Tokyo-based chain stores selling alcohol at discount prices, in spite of pressure from alcohol companies. After strong drinks sales it set up a chain of cosmetics stores discounting over 5,000 items made by six makers including Shiseido, Kao and Kanebo.

By selling at 25 to 30 per cent cheaper than other retailers, Kawachiya's cosmetics sales have jumped ten-fold, hitting other cosmetics retailers.

Department store sales suffer record fall

By Robert Thomson in Tokyo

SALES at Japanese department stores were 8.9 per cent lower last month than a year earlier, highlighting the continuing decline in personal consumption and increased competition from discount houses.

The fall was the largest on record, the Japan Department Stores' Association said, and was partly caused by unfavourable weather. Japan's unusually cool June, brought an 8.5 per cent decrease in clothing sales, which account for just under half of all sales.

Apart from waning consumer confidence because of lower bonus payments and overtime cuts, department stores have been losing customers to discount clothing and electrical goods houses. The association said companies had also cut their spending on mid-year gifts for clients.

Sales of personal items slipped 4.8 per cent, household goods were down 12.6 per cent, and foods by 5.7 per cent. Tokyo department store sales fell 13.4 per cent, while sales in regional areas contracted 6.6 per cent.

The decline in personal consumption has prompted debate among Japanese business leaders on the need for a cut in income tax or official interest rates to stimulate demand. Finance Ministry officials are opposed to a tax cut because the government is already having difficulty balancing the budget.

LDP flounders without its godfather

Robert Thomson on an unseemly contest without Kanemaru's guidance

JAPAN'S Liberal Democratic party, facing the new experience of life in opposition, is feeling the loss of Shin Kanemaru, the fallen godfather, who held together bickering factions, coerced and coaxed opposition parties, and generally created order from the chaos of Japanese politics.

Needed in the backroom, Mr Kanemaru was instead in a courtroom, defending himself against tax evasion charges and taking the rap for a corrupt political system. Had he been moving through the better bars of Tokyo's political district, the godfather would have calmed the fractious factions and prepared the LDP for a difficult week.

In the next few days, the LDP must find a successor to Mr Kiichi Miyazawa, the party president, but the greatest loss for the old order lies in its inability to replace Mr Kanemaru. His resignation led to a split in the party's largest faction, which he controlled, then to a split in the LDP and, now, to the prospect of the party losing power.

If seven opposition parties can put their many differences aside, they will be able to appoint the next prime minister and that will mean opposition for the LDP, which has ruled since 1955. The seven are still negotiating over policies and candidates. Members of the Social Democratic party, formerly the Japan Socialist party, were undecided yesterday, while another pro-reform party was having second thoughts.

The selection of Mr Miyazawa as prime minister two years ago was simpler. Mr Kanemaru appointed him after having removed his blessing from Mr Toshiki Kaifu. For the past decade, Mr Kanemaru oversaw the queue for the leadership and cultivated the SDP, the largest opposition group, to ensure that controversial legislation would eventually be passed by parliament after a ritual show of outrage.

Without the guidance of the godfather, the LDP's leadership race has become an unseemly rush. Two ailing elders, Mr Masaharu Gotoda, the justice minister, and Mr Michio Watanabe, the former foreign minister, are potential successors. Mr Hiroshi Mitsuzuka, who heads the largest LDP faction, Mr Ryutaro Hashimoto, ex-finance minister, and Mr Kaifu are keen to take the job.

Most of these candidates are unacceptable to younger LDP members, let alone to the coalition partner that the LDP must attract to ensure that it has the numbers next Monday when parliament is expected to vote in a new prime minister.

At the July 18 election, the LDP won 223 of 511 seats, while the proposed coalition of seven parties took 243 seats, independents aside.

In response to the unappetising array of LDP candidates, Mr Seiichi Ota, a 47-year-old LDP member, yesterday announced he would stand at a selection meeting on Friday or Saturday. His candidacy is way out of order in the LDP's strict hierarchical system, as Mr Ota has been re-elected only four times, compared with the nine times of Mr Miyazawa and the 10 times of Mr Watanabe.

Mr Ota is typical of the pro-reform members who insulted their seniors late last week when party executives were called "war criminals" for having failed to win a majority in the election and allowed the faction of Mr Hata, to become the Japan Renewal party. The remarkable conflict has been replayed many times on Japanese television.

These younger members are crossing factional lines and are not prepared to wait patiently behind an executive which has not recognised that the party is on the brink of falling from office and lacks an organiser of Mr Kanemaru's calibre.

The aspiring successor to Mr Kanemaru is Seiroku Kajiyama, a gruff, bustling politician who seems unable to win friends and influence people. Three years ago when he was justice minister, Mr Kajiyama toured a Tokyo red-light district three years ago, delivering unscripted jibes which were taken as insults by Asian women and Americans.

On election night, Mr Kajiyama, 67, the LDP secretary-general, plotted the demise of Mr Miyazawa on national television, unaware that his conversation was broadcast by microphones in front of him. He was confiding conspiratorially to Mr Koko Sato, 64, the LDP general council chairman, implicated in the Lockheed bribery scandal of the 1970s.

These two share party power with a third executive, Mr Hiroshi Mitsuzuka, chairman of the policy research council. Mr Mitsuzuka's confidence has grown with the break-up of Mr Kanemaru's faction, which, through weight of numbers, was the LDP's anchor and gave the godfather his influence.

There are now four LDP factions of relatively equal strength, all wanting an inordinate share of power, and unable to concentrate on the crucial *nemawashi* (literally, digging around the roots of a tree, the groundwork laying). Mr Kanemaru may be a symbol of all that is wrong with Japanese politics, but his shovel skills are unmatched.

Associated Press

Michio Watanabe, a likely candidate for the leadership, arrives at his faction's office yesterday

NEWS: THE AMERICAS

Christina Lamb reports on a multiple murder among the street children of Brazil

Poverty the angel of death in Rio

TWO pairs of torn canvas plimsolls with no laces and a grubby, blood-stained blanket were all that remained yesterday of seven Rio de Janeiro street children alleged to have been murdered by policemen.

The boys – aged between 12 and 17, and a youth of 22 – were killed on Friday morning while sleeping at the door of the Candelária church in the heart of Rio. The spot has been marked by a makeshift shrine and a primitive wooden cross.

Late on Sunday night, three policemen were taken into custody after being identified as the gunmen by Wagner dos Santos, a 22-year-old veteran of the streets of Rio and one of the survivors of the massacre. "I will never forget that night even if I live 100 years – they must pay for what they did," he said yesterday as he recovered from two bullet wounds. Another child is still in a critical condition.

But few expect real action to be taken to improve the lot of the thousands of children living on the streets of Brazil's big cities. In 1990, the London-based human rights organisation Amnesty International ran a series of advertisements: "Brazil has found a new way of taking its children off the streets – killing them."

Despite such pressure, the trouble has worsened since then. According to police records, in the first six months of this year 320 children were murdered in Rio – more than in the whole of 1991 – and aid agencies estimate that between two and four children are being killed in the city by death squads every night.

The problem is that the very people responsible for preventing crime are involved. Mr

'Rarely does an extermination gang not contain a policeman'

Paulo Melo, a former street child who is now a state assemblyman, says: "Rarely does an extermination gang not contain a policeman. Everyone knows who the murderers are and where to find them, but people are scared to give evidence."

He points out that a federal congressional commission in 1991 named policemen involved but no action was taken.

More chilling still is the fact that there is considerable support for the killings in a society which has become one of the most violent in the world.

Forced into the streets by poverty, the children, who are usually black, survive through petty crime, often becoming involved in drugs and prostitution.

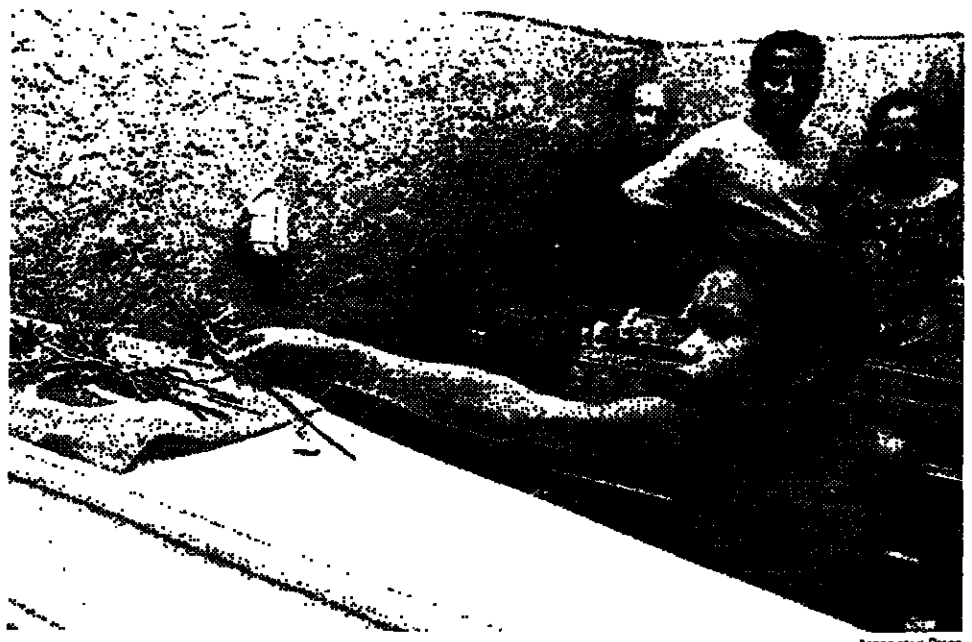
Many local people, call them "animals" and see their deaths as "cleansing". Shopkeepers and hoteliers are believed to fund this "cleansing".

After the latest massacre, the overwheming majority of people calling a phone-in on CBN national radio in Brazil approved of the killings and, at the shrine yesterday, a man who identified himself only as Jorge, said: "These children have been sent where they belong. We should kill them all".

Poverty is at the root of the problem. According to the government, 43m Brazilians, including 18m children, live in absolute poverty with a monthly family wage the equivalent of less than $15.

The trouble has been compounded by the national economic stagnation of the last 13 years and the movement since 1960 of more than 40m people from the countryside to the cities, which are now appallingly overcrowded.

This is particularly clear in



Associated Press

A homeless boy in Rio de Janeiro places a flower on the coffin of one of the seven youngsters killed

Rio, where a third of the population lives in slums and, at night, small bundles that are children can be seen in shop and church doorways, traffic tunnels and on the roadsides.

Iron bars have been erected around public parks in the smart district of Ipanema to prevent the children entering.

Mr Ronofri Cabral, a worker from Petrobrás, the state oil company, who had brought his 12-year-old son to the shrine, said: "This all comes down to the failure of the state to provide a decent wage. What we should ask is why children, many of whom have families, are living in the streets without food, clothing or shelter."

The work of those fighting to defend street children is hindered by controversy over how many there are, with estimates ranging as high as 7m for all Brazil.

Mr Liborni Siqueira, a juvenile court magistrate in Rio, attacked yesterday what he calls the *industria da criança* (child industry).

He explains: "There are little more than 600 children living in the streets of Rio and 302 institutions claiming to be helping them. That's crazy. These groups have no interest in taking children off the streets while they can get dollars from overseas agencies for supposedly helping them."

Amid rising international pressure Brazil's President Itamar Franco, who has been in Rio since Saturday to monitor investigations, yesterday directed the foreign ministry to assure governments, particularly in Europe where the EC has expressed its concern, that all possible action is being taken.

He blamed the developed world: "The poverty and misery that exists here is often caused by the industrialised countries, which place obstacles in the way of our search for science and technology".

US governors of flood states press for aid

By George Graham in Washington

GOVERNORS from flood-damaged US states arrived in Washington yesterday to try to ensure that Congress does not delay the disaster aid they have been promised.

Delegations from at least six of the eight states most affected by the flooding in the Mississippi and Missouri river basins will hold talks today with Senate and House of Representatives leaders and urge them to set aside the dispute that last week held up a vote on a preliminary flood relief bill to spend $2.98bn.

The House last week delayed considering the bill after Republicans had been joined by 45 fiscally conservative Democrats, including some from flooded districts, to block debate unless the new money were offset by spending cuts elsewhere.

The House is expected to reconsider the bill today. Democratic leaders have not changed it, but have allotted more time for debate.

Officials from the mid-western governors' offices said they wanted to be on hand to twist arms and ensure that at least their own state congressional delegations would not block the aid sought. "Presumably they have made their partisan point and will now do the right thing," said one aide.

With another record crest of water expected on the Mississippi this week, the system of earth and concrete levees that has so far averted even worse flooding is rapidly crumbling. Water levels have been well above normal since April, and waterlogged levees which had resisted earlier floodwaves have now begun to give way under this renewed assault.

Several more towns along the Mississippi and Missouri were evacuated yesterday when it became clear their levees were about to break, and drinking water has had to be rationed in towns whose water treatment plants have been inundated.

Although the flood aid bill under immediate consideration is for $2.98bn, the Clinton administration has already said it will raise its flood aid request to $5bn, and has acknowledged that even this is unlikely to prove adequate.

Estimates of the damage throughout the affected area now amount to $10bn-$12bn.

Colombian president seeks UK investment

By Sarita Kendall in Bogotá

ONE of the main purposes of Colombian President César Gaviria's visit to the UK, which began yesterday, is to persuade investors that his country is a land of economic opportunity with an unfortunate image.

He will be shuttling from a Guildhall dinner in the City, from the CBI and the Bank of England, to meetings with Mr John Major, the prime minister, other cabinet ministers and the press.

The Gaviria government's economic liberalisation programme, begun three years ago, is at a crucial stage. After a relatively easy ride, cracks have begun to appear. These are being papered over but economic experts are questioning whether Colombia was ready for such radical reform.

Industry and agriculture have felt the effects of a big increase in imports over the last 18 months.

Overall, the economy grew by 3.5 per cent in 1992, but agriculture declined by 0.9 per cent and industry grew by only 0.9 per cent.

Industrialists are protesting at the inflow of cheap textiles, footwear, cigarettes and paper products, and at the inability of the customs service to prevent contraband.

Not everyone is unhappy though – chemical and pharmaceutical companies and vehicle manufacturers are all benefiting from cheaper imports used in their processes.

Agriculture is in bad shape, however: Colombia is one of the few countries to have left its farm sector almost entirely unprotected. Production of grains and vegetable oils has fallen in response to low-priced imports, while export crops such as bananas, coffee and flowers, hit by international marketing problems, are in further trouble because of the gradual revaluation of the peso.

The government has worked hard to bring inflation down to 22 per cent this year and is unwilling to endanger its anti-inflation policy by accelerating the devaluation rate.

Customs will, however, be looking more carefully at imports – especially expiry dates, dumping, subsidies and smuggled goods.

So far, the reforms have not drawn foreign investors to Colombia as expected. Last year, direct foreign investment limped up to $308m, excluding the oil sector, which will be attracting much foreign capital over the next few years as the Cusiana oil and gas reserves are developed.

Gaviria: London shuttle

Low interest rates bolster home sales

By George Graham

SALES of homes in the US rose again last month, maintaining a solid recovery fuelled by low interest rates.

The National Association of Realtors said sales of existing single family homes rose to an annual rate of 3.69m homes in June, up 1.9 per cent from May and 11.1 per cent higher than in June 1992.

Mr William Chee, the association's president, said the rise reflected low mortgage rates, which have made houses more affordable. He added that sellers were asking for more realistic prices.

Home sales growth was strongest in the north-east, where the number of sales rose 14 per cent in June. Sales in the north-east have risen 20 per cent in the last two months, helping to reverse a decline during cold weather earlier this year.

Sales also climbed in the south, up 2.9 per cent last month, but fell slightly in the west and, more appreciably, in the Midwest. Economists predicted the strong pace would continue in the second half.

Talks continue over £250m venture to build jet aircraft

BAe facing delay in Taiwan deal

By Dennis Engbarth in Taipei and Daniel Green in London

BRITISH Aerospace may have to extend a July 31 deadline for a deal finalising the company's £250m joint venture with Taiwan Aerospace Corporation (TAC).

Mr Denny Ko, TAC's president, acknowledged yesterday the deadline might not be met. "We're still in discussions to see how the two sides can agree and accept," he said.

Mr Chiang Ping-kun, Taiwan's minister of economic affairs, intends to write to Mr John Cahill, BAe's chairman, urging BAe not to insist on the deadline for finalisation of the project.

BAe said it would "review its position" if the deadline were missed. It has a mandate from its board to negotiate until July 31.

Success of the venture is vital to BAE's recovery strategy. The joint venture – Avro International Aerospace – will manufacture BAe's RJ family of regional jet aircraft in both the UK and Taiwan. The Taiwanese site is close to east Asia's fast-growing market and will have lower labour costs.

Late yesterday Mr Chiang sent an official request to the Taiwan cabinet for official backing for the project. Written confirmation may come today, but further discussion of financing details may delay the deal's final signing.

Mr Yang Shih-chien, Taiwan's deputy minister of economic affairs, said Mr Lien Chan, the premier, "stated his support in principle".

An executive at one of the island's state-run banks said local banks would not feel comfortable in approving funds to Avro without high-level government support in writing.

The local bank consortium has said it will not extend financing until Avro is legally formed.

Taiwan banking law prohibits a bank from extending unsecured financing to a venture in which it holds more than 3 per cent.

Mr Ko also said the company was seeking "clarifications" on "two or three" of the seven key conditions put forward by the Taiwan side to BAe. "We hope that this can be done in the next few days," Mr Ko said.

These are likely to involve Taiwan's request for a £5m "technology transfer assistance fee" to help TAC undertake the assembly operation.

China planners put phones before roads

Andrew Adonis and Bernard Simon on the implications of Beijing's decision to make telecoms a development priority

外商投资

Foreign investment

BY THE year 2000, the Chinese government wants to install 75m phone lines in the country – equivalent to three times the British Telecommunications network and quadrupling current capacity.

If it did so at the rate of 15m lines a year – this year about 5m lines will be installed – that would constitute annual demand for equipment equivalent to one and half times that of the US.

Mr Jim Long, president of the Asian subsidiary of Northern Telecom (Nortel), the Canadian supplier, describes the implications as "mind-boggling in terms of opportunities for telecommunications companies".

He says they only became apparent to him at a recent dinner to celebrate a new contract with Hebei province. The governor noted in his speech that the "old wisdom" that China's provinces would get rich first by building roads, then putting in telephones, no longer applied. Now, he said, the reverse was true.

The extensive memorandum of understanding which Nortel signed last month with China's State Planning Commission is a recognition that any supplier wanting a secure, long-term foothold needs to have local production facilities.

A factory in China can take advantage of lower labour costs, foreign currency savings, and design and engineering expertise close at hand. Another attraction for local manufacturers is that imports of telephone equipment face a 25 per cent duty. The duty is waived only if the importer has access to financing, but financing becomes more difficult as volumes increase.

Nortel already supplies 20 per cent of the Chinese PBX market from a venture known as Tong-Guang Nortel. It expects another joint venture to be turning out equipment for data transmission within the next 12 months.

Its latest agreement is designed to extend the Toronto-based company's presence to switching equipment and large circuits, as well as a research centre for advanced telecommunications technology. The first fruits are expected to be a joint venture to produce Nortel's flagship DMS-100 digital switching system.

The company declines to identify its partners, but it says that a factory, with an initial capacity of 2m lines a year, is nearing completion in Guangdong province. Plans are already being drawn up to expand capacity – possibly at a different site – to 4m lines.

Profit is at the moment a secondary consideration in Nortel's drive to secure a hold in China. But Mr Long expects that earnings will have climbed by 156 per cent a year between 1990 and the end of 1993, compared with a 35 per cent rise in revenues.

"While (China) is still not as profitable as mature markets, it is nevertheless beginning to bring some return to Northern Telecom," he says. "We think it will continue that way to a point where eventually earnings there will be more consistent with other major markets."

Reuter

Ringing the changes: manual pay phones are likely to be phased out under the modernisation plan

The market for switches is dominated by Alcatel, the French supplier, with an estimated 40 per cent share. NEC of Japan and Siemens of Germany also supply from local factories. Ericsson and Fujitsu have carved out businesses of some size, and smaller operators, such as the telecommunications arm of Philips, the Netherlands electronics group, are also making inroads.

The two leading North American suppliers, Nortel and American Telephone & Telegraph, the largest US operator, hope to catch up the European leaders. In March AT&T signed a memorandum of understanding with the Chinese which one company executive said could be worth "billions of dollars" in orders for everything from fax machines to advanced transmission equipment.

Mr Long believes that the North Americans owe their advance partly to a growing Chinese demand for features such as intelligent networks, adding that "the market is definitely moving our way in terms of buying criteria".

For their part, the European suppliers can point to contracts signed and joint ventures launched.

Alcatel, believed to be the largest supplier to the Chinese market, earlier this year won contracts worth $400m (£267m) for transmission and exchange equipment to be supplied through two joint ventures.

China is now Ericsson's fifth largest market. In the first quarter of this year it accounted for more than 7 per cent of sales – up from 3 per cent last year, when it was the company's ninth largest market.

Three months ago, Ericsson signed its largest ever contract in China – a $300m deal to provide switching and transmission equipment for China's Guangdong Post and Telecommunications Bureau. Last month it added $60m in business from the province for central office switching equipment.

It has other contracts to supply equipment to Beijing, Tianjin, Guangxi and Hebei.

Philips, the Netherlands electronics group which has a growing telecommunications business, has three assembly plants in China, operated with local partners. China is the division's second largest market after Germany.

SA-Japan flights agreed

SOUTH AFRICA has reached in principle an agreement with Japan to allow the first direct flights between the two countries from next year, writes Gordon Cramb in Tokyo.

The transport ministry in Tokyo said yesterday the accord, still subject to parliamentary and other approvals, had followed talks in Pretoria which ended on Friday.

Japan restored diplomatic links last year. It was South Africa's leading trading partner until 1987 when it curbed further growth in commercial dealings. Sanctions have since been lifted, but bilateral trade remained unchanged in dollar terms last year at $3.57bn, with South Africa enjoying a modest surplus.

Japanese carriers are to be allowed a total of two flights a week into Johannesburg from any departure point, while South African Airways is to have the same number of weekly slots at the new Kansai international airport being built near Osaka.

But Japanese holidaymakers are likely to be wary of South Africa until political violence there is quelled.

Exporters shift production to counter high yen

JAPANESE exporters are stepping up efforts to fight the impact of the yen's sharp rise on profitability by moving more of their production outside the country and increasing procurement of foreign-made components, writes Michiyo Nakamoto in Tokyo.

A growing number of exporters are shifting manufacturing to lower-cost areas in south-east Asia and China, or localising production for regional markets.

Seiko, the watch and precision instruments maker, said it might move low-end watch production to Hong Kong, where it already has an assembly plant. Komatsu, the construction machinery maker, is shifting the development and manufacture of large construction trucks for exports to the US within the year.

Within three to four years Komatsu is also moving production to Germany of medium-sized wheel-loaders. The Japanese plant where the company now manufacturers the wheel-loaders will gradually shift production to small cranes.

Meanwhile, Japanese companies are increasing procurement of foreign parts to help lower their cost base.

Fujitsu, Japan's largest computer manufacturer, will attempt to double procurement of foreign-made parts by 1995 by securing more items from areas such as south-east Asia and buying more local parts for products manufactured overseas.

The decision would increase the average ratio of foreign parts in Fujitsu's machines from about 12 per cent to about 24 per cent, the company said.

Fujitsu has set up an international procurement division and is increasing the number of people with responsibility for procuring parts at ICL, its UK subsidiary.

Fees for unraveling Maxwell '£100m'

By Norma Cohen, Investments Correspondent

INSOLVENCY practitioners responsible for unraveling the empire of the late Mr Robert Maxwell were criticised yesterday by a parliamentary committee for charging too much for their services and taking too long to recover assets.

The Select Committee on Social Security yesterday issued a report on efforts to recover assets for pensioners stolen from their schemes. "The unraveling of the chaos and confusion left by Robert Maxwell has so far cost the creditors of the former companies, which include the pensioners, some £50m. The final total cost could exceed £100m," the report said. Unraveling the finances of the companies could take four years.

The committee urged the government to consider the establishment of an independent monitor in the case of larger insolvencies.

The report also criticised several City investment banks which dealt with Mr Maxwell, particularly Lehman Brothers International and Credit Suisse. These two resisted efforts of liquidators to provide full details of transactions they handled forcing the liquidators to seek a court order.

The committee, meanwhile, singled out for criticism several leading insurance companies which provided up to £100m in insurance policies for company officers and pension fund trustees. These companies are now seeking to void their policies, despite having accepted millions of pounds in premiums, on the grounds that Mr Robert Maxwell failed to inform them of his fraud.

● Administrators of Maxwell companies and Mirror Group Newspapers have been paid £3.5m by a group of insurance companies in an out-of-court settlement over a policy on the life of the late Robert Maxwell. This is the uncontested part of a £6.5m settlement sought by the administrators and Mirror Group Newspapers from the late Robert Maxwell's insurers.

Editorial Comment, Page 19

● No sign of Tory truce ● Ratification challenged ● Mitterrand backs monetary union

Major plays down row over Euro-sceptics

By Philip Stephens, Political Editor

MR JOHN Major, the UK prime minister, yesterday sought to draw a line under the political row sparked by his off-the-record remarks bracketing three cabinet ministers with the Euro-sceptic "bastards" who oppose ratification of the Maastricht treaty by Britain.

But as politicians prepared for the long-summer parliamentary recess which starts tomorrow, Tory MPs on both sides of the European argument refused to call a truce.

Speaking after the Franco-British summit in London, Mr Major dismissed suggestions that the Maastricht treaty, the cause of the year-long civil war in the Conservative party, had been overtaken by events.

He also declined to answer questions on his leaked, informal comments to a television journalist in which he explained his reluctance to sack three cabinet ministers – widely assumed to be Mr Peter Lilley, Mr Michael Portillo and Mr John Redwood – who share the antipathy to the treaty of Tory Euro-sceptics.

Downing Street reinforced the impression that the prime minister is determined to close the affair, indicating he had not found it necessary to speak to the ministers concerned.

Instead, the prime minister concentrated on insisting that Britain would complete the ratification process after what he expected to be a relatively short legal challenge by Lord Rees-Mogg launched at the High Court yesterday.

Lawyers acting for the former editor of The Times told the court that the government was acting unlawfully in three respects:

● it intended to increase the powers of the European Parliament by ratifying the Protocol on Social Policy;

● without parliamentary authority it intended to alter the content of the Treaty of Rome by ratifying the Protocol on Social Policy; and,

● without parliamentary authority it intended to ratify Title V of the Treaty on European Union which deals with a common foreign and security policy which would transfer prerogative powers away from the UK.

Lawyers acting for Mr Douglas Hurd, the foreign secretary, said that Lord Rees-Mogg's case against the government was based on "fundamental constitutional misconceptions" and amounted to an attack on parliament.

Mr Major, meanwhile, faced a separate attack yesterday from Sir Edward Heath, the former prime minister, who renewed his criticism of the prime minister for appearing to allow his policy towards Europe to be dictated by a minority in his cabinet.

President François Mitterrand added to the prime minister's discomfort by brushing aside suggestions that the central ambition of the Maastricht treaty – a single currency – had been put on the backburner.

The French leader said that the Paris government expected still to achieve economic and monetary union within the next few years.

Leaders of the Tory party over Maastricht also signalled their determination to maintain the pressure on the government when it brings forward legislation in the autumn to allow an increase in Britain's contributions to Brussels.

Right-wing Tory MPs are warning that a budget in November which raised income or other taxes on UK citizens would be unacceptable if the government was planning at the same time to hand more money to the European Community.

London tax burden brings calls for more investment

By John Willman, Public Policy Editor

LONDONERS and those working in London pay £8bn a year more in taxes than is spent by central and local government in the capital, according to a report to be published on Friday by the Corporation of London, the local authority for the City of London.

The report, by Professor Douglas McWilliams of the Centre for Economics and Business Research, says that the transfer of resources out of London on such a scale will reduce the rate of growth in the UK economy.

Prof McWilliams suggests that some of the net contribution London makes to the economy should be ploughed back into the capital through an increase in public investment in transport infrastructure.

The report will provide further ammunition for businesses and London pressure groups campaigning for more of the taxes paid in London to be ploughed back into the capital's economy.

The report says that all countries have parts that are more prosperous than others, and which make a net contribution to public finances.

However, the contribution made by London is unusually large, it says. By adding to business costs, it will damage London's economic prospects in competing with other European cities as a financial centre.

That, in turn, will reduce the rate of growth in the rest of the economy, which is heavily reliant on London's prosperity. Nearly 3m jobs outside London depend wholly or partly on supplying the capital, the report says.

If Greater London were an independent state, its GDP would be over £70bn – larger than four EC member states and comparable with that of Hong Kong, says the report.

It would also have a healthy trade surplus. Exports of goods and services to the rest of the UK and the world exceeded imports by £10.6bn in 1989, the most recent year for which input/output data are available.

"In broad terms, London's economy is based on services, a high proportion of which is exported," said Mr McWilliams. "It largely consumes manufactured goods, a high proportion of which is imported."

London's balance of trade surplus is recycled to the rest of the UK economy through taxation, which has comfortably exceeded public expenditure in the capital for decades.

This is partly because people working in London have higher earnings. The average job in London generates 43 per cent more income-based tax than the average job in the UK.

However, current public spending in London in relation to GDP is only 74 per cent of the national average. This is because much of UK public spending goes on social support and relatively little on supporting business, according to Prof McWilliams.

"Without the London contribution, the UK public sector borrowing requirement would be 10.6 per cent of non-London GDP – higher than any other OECD country other than Italy," the report says.

LONDON'S GDP – SOME INTERNATIONAL COMPARISONS

	GDP \$bn	Pop (m)
United Kingdom	937	57.9
Sweden	260	8.7
Belgium	225	10.0
Denmark	145	5.2
Russia	125	149.0
Greater London	122	6.8
Saudi Arabia	122	16.4
Hong Kong	111	5.9
Portugal	80	10.5
Singapore	52	2.8
Ireland	50	3.7

Source: Centre for Economics and Business Research

Launderers face tough new bank vigilance

By John Gapper, Banking Correspondent

BRITAIN'S clearing banks yesterday predicted a big rise in the number of reported cases of money laundering following a change in the law this week which threatens bank employees with jail if they fail to alert police to such criminal activity.

The British Bankers' Association forecast a "very significant" rise in the 20,000 cases of possible money laundering which are currently reported by bank employees from the 1.6bn transactions that take place each year.

The Criminal Justice Bill, expected to receive Royal Assent this week, is likely to lead to a sharp increase in the reporting requirements on banks and other financial services companies from April next year.

The bill widens reporting requirements so that banks must report not only transactions suspected to be linked to money laundering and terrorism, but also possible serious criminal activity such as fraud, theft, and extortion.

It also introduces for the first time a sanction of up to five years' imprisonment for bank employees who are negligent in reporting suspicious activities, and up to two years' jail for directors of organisations that are negligent.

Banks have argued successfully against the compulsory reporting of all transactions above a certain size, as is the case in the US. Sir Nicholas Goodison, association president, said this approach would have been "crazy".

The banks have accepted additional costs estimated at up to £30m initially and £20m a year thereafter, associated with additional staff training and the establishment of central reporting offices to review branch suspicions.

Ms Sue Thornhill, the association's assistant director, said there was likely to be "an increase in suspicion at all levels" following the introduction of the threat of criminal prosecution of negligent staff.

Gooch, stumped for 26, quits the field for the last time as captain

Gooch stands down as the Ashes turn to dust

ENGLAND'S national summer game was yesterday overshadowed by the loss of the Ashes, arguably the sport's most prestigious trophy, shortly followed by the loss of the national captain, Graham Gooch, writes Jim Kelly.

He resigned half-an-hour after England crashed to defeat in the fourth Test Match at Headingley, Leeds. The Australians are now three ahead with just two Tests left to play. Even rain could not save England, and despite showers, they lost by an innings and 148 runs.

Gooch, 40, has captained England for 34 Tests in three-and-a-half years and has become a national institution in the process.

His facial stubble and downcast expression are a familiar part of the English sporting scene. His nickname is reportedly "Zap". But his exploits with the bat have made him a national hero.

He will be remembered for 19 Test centuries – including an epic 333 against India. Less illustrious was his participation in the rebel tour of South Africa in 1981-82.

MPs criticise government over cost of MI6 building

By Philip Stephens, Political Editor

AN ALL-PARTY committee of MPs yesterday delivered a rebuke to the UK government for covering up the £86.7m cost of fitting out a new building for Britain's Secret Intelligence Service.

In a report on Foreign Office spending issued in London, the House of Commons' foreign affairs committee accused ministers of "burying" the £45.5m being spent on the offices in the current financial year.

It also notes that the total cost of internal and equipment and furnishings for the new office complex on the South Bank of the Thames at Vauxhall Cross is now expected to reach £86.7m.

That is substantially higher than the £62m spent by Mr Jacques Attali, the former head of the European Bank for Reconstruction and Development.

Mr Attali's expensive tastes proved his downfall and he resigned earlier this month.

The overall cost, including the land, of the new concrete and glass headquarters for Britain's spy service – more commonly referred to as MI6 – runs into several hundreds of millions pounds.

Designed by Mr Terry Farrell, its construction – coinciding with the ending of the Cold War – was vigorously opposed by the Treasury but was approved personally by Lady Thatcher, the then prime minister.

The MPs concede that the government does have arrangements for such expenditure to be monitored by the National Audit Office.

But they criticise the way that such substantial amounts of money – which are equal to the amount that the Overseas Development Agency spent in the same year on all its bilateral emergency and refugee aid – was buried in more general expenditure totals for the Foreign Office.

More generally the reports suggests that the Foreign and Commonwealth Office should consider reducing the number of staff it has based in London in order to free additional personnel for overseas postings.

Cool US reception for minister

By David Goodhart in Washington

GROWING DIVERGENCE between British and American approaches to labour market policy prompted an unusually cool reception for Mr David Hunt, the secretary of state for employment, in Washington yesterday.

Mr Hunt who is on a short tour of the US to look at training schemes for the unemployed and to promote inward investment into the UK met only junior officials in the US Labor Department.

British diplomats said it was unusual for a British minister not to be able to meet his opposite number, in this case Mr Robert Reich who was at an important conference in Chicago. But his deputy and other senior officials were also unavailable. His most senior discussion partner was Mr Jack Otero, a deputy under-secretary of labour, who is trade union official and a long-standing supporter of international labour regulation such as the EC's Social Charter.

Department of employment officials denied that Mr Hunt had been snubbed and pointed out that he did meet with a member of the US cabinet, Mr Richard Riley, the education secretary. However, the UK's stress on labour market deregulation and the hire and fire policies symbolised by the Social Chapter opt out does not chime with a Democrat administration interested in increasing employment security and worker consultation as a means to improving US productivity.

Britain in brief

Irish leader concerned at party 'deal'

Mr Albert Reynolds, the Irish prime minister, said that he would be "very concerned" if efforts to renew the political talks process in Northern Ireland were to be undermined by any deals done at Westminster between the Conservatives and the Ulster Unionist Party (UUP).

Last week, the UUP backtracked on a general election pledge and voted with the government on the Maastricht Treaty vote, leading most observers to conclude – despite official denials – that a deal had been done involving a proposal to establish a Northern Ireland select committee at Westminster.

Mr Reynolds emphasised that the 1985 Anglo-Irish agreement gives the Irish government the right to be consulted on Northern Ireland matters, making it clear that Dublin will view any unilateral moves by the British government on the future governance of the province as a breach of the agreement.

Syndicate cover underestimated

The underwriter of two of the heaviest loss-making syndicates at the Lloyd's of London insurance market may not have appreciated the size of his exposure to catastrophe losses and bought insufficient reinsurance protection, a Lloyd's investigation has concluded.

Details of the losses are contained in a review into Devonshire syndicates 216 and 833/834, whose losses between 989 and 1991 amounted to £196m. Both syndicates specialised in so-called "spiral" reinsurance, covering the high level catastrophe losses of other syndicates and companies.

Increase in DTI inquiries

The number of confidential company investigations started and completed by the Department of Trade and Industry's investigation division rose by more than 50 per cent in the first quarter of this year. Sixty-three investigations were started and 64 were completed, compared with 40 started and 35 completed in the previous quarter. The division looks into insider dealing and other offences under companies, financial services and insolvency legislation.

Labour aid claims rejected

Mr Tim Sainsbury, the industry minister, rejected allegations by the opposition Labour party that political gerrymandering had determined changes in the areas qualifying for regional aid.

He told the House of Commons that the government's new Assisted Areas map, which has to be approved by the European Commission, ensured that help would be concentrated on areas with the most problems. Mr Sainsbury maintained that the changes made to the previous map drawn up in 1984 reflected the fact that unemployment had dropped in the north and north west while it had worsened in London, the south east and the south west.

More funds for energy schemes

More funding for energy efficiency schemes is among the government's latest plans for meeting international targets on global warming.

The government said that it would "reinforce" the newly-created Energy Saving Trust, set up to help households identify energy saving measures. It also plans to take energy use by central government to below 80 per cent of 1990 levels by the year 2000, and to curb transport emissions.

MP protests at whaling

Mr Tony Banks, Labour MP for Newham North West, was freed by police after he chained himself to railings in central London in protest against Norway's resumption of commercial whaling. No charges were brought against Mr Banks, a strong animal rights campaigner. "I will continue to protest," he said after the fire brigade cut him free.

FINANCIAL TIMES SURVEY

GHANA

Tuesday July 27 1993

Last year's rise in inflation was mostly caused by profligate budget management: **Page two**

President Rawlings' conversion to democracy is treated sceptically by opposition parties: **Page *four***

Ghana has blazed a trail in Africa, implementing economic reform while managing the transition to civilian rule. The toughest test may lie ahead, as the government seeks domestic and foreign investment vital for export-led growth. **Leslie Crawford** reports

Determined to press on

IN a continent full of strongmen propped up by sclerotic regimes, Flight-Lt Jerry Rawlings, Ghana's leader since 1981, stands out for his shrewd ability to adapt to changing times – which may explain his enduring popularity.

Last January Mr Rawlings effected the transition from military dictator to elected president with the same apparent ease as he abandoned revolutionary Marxism a decade ago to become the model pupil of the International Monetary Fund. His timely conversion to democracy spared Ghana the suspension of international aid that which has crippled other, less-adaptable African nations. But Ghanaians could be excused for believing that little has changed.

They have the same president, almost the same government team and economic policies as before. The new parliament, dominated by Mr Rawlings' National Democratic Congress (because there is an opposition boycott), has yet to prove it can be an independent counterpoint to the president's authority. And many of the democratic safeguards enshrined in the new constitution, such as a human rights commission and an independent press council, have yet to be put in place.

Most western observers judged the election to be relatively free and fair, but some Ghanaians, particularly the educated elite in Accra, argue that donor governments, desperate for a success story in Africa, turned a blind eye to unfair rules of the game that gave Mr Rawlings an unbeatable advantage. The electoral register, inflated by more than 1m names, was seriously flawed, and the opposition had been legalised barely six months before the election – hardly enough time to organise an effective campaign.

It was a contest, they say, in which Mr Rawlings was the star player, linesman and referee. In protest, the four main opposition parties, ranging from the socialist followers of Ghana's founding father, Kwame Nkrumah, to the conservative New Patriotic Party (NPP), boycotted the parliamentary elections in December. It is a decision they now deeply regret. Their self-exclusion from parliament has left them almost as voiceless as they were under military rule. Furthermore, seven months into the new regime they are still bickering among themselves over how to survive in the political wilderness.

Some, such as Mr Bernard Joao da Rocha, the NPP chairman, favour a policy of reconciliation with the Rawlings government. He asked, and obtained, permission to submit his party's views on the 1993 budget to parliament. "The fact that we boycotted the parliamentary elections does not render this government illegitimate," Mr da Rocha concedes. "Our only hope of influencing policy is to establish a dialogue with the party in power."

But Mr da Rocha's pragmatism jars with the bitterness harboured by other NPP stalwarts. Professor Adu Boahen, the NPP presidential candidate, refuses to accept the results of the contest he lost. "I will never recognise Rawlings as a legitimate leader. I have no wish to accord respectability to his government," he says.

If Ghana's democratic transition requires a leap of faith, then greater faith still is needed to believe that after a decade of economic reforms, the country is ready to make the qualitative leap into accelerated, export-led growth.

Having spent the past 10 years trying to repair the damage caused by socialist mismanagement in the 1960s and 1970s, Dr Kwesi Botchwey, Ghana's veteran finance minister, believes the country is sufficiently recovered to shift its focus from reform to active development.

His accelerated growth plan, unveiled at a Paris meeting of donors last month, is bold in conception. The target – to achieve 8 per cent annual growth rates by the turn of the century – is ambitious. Ghana is hoping to model itself on the newly industrialised nations of south-east Asia.

If it succeeds, 10 years of liberalisation, deregulation and devaluation will have been vindicated. And the World Bank and the IMF, struggling to convince sub-Saharan Africa of the benefits of structural adjustment, will have a new development example on the continent.

For the plan to work, Dr Botchwey is betting on a revival of manufacturing, believing that a leaner, export-oriented manufacturing sector can rise from the ashes of structural adjustment.

The accelerated growth plan calls for non-traditional exports (everything that is neither cocoa, gold nor timber) to grow by 29 per cent a year throughout the 1990s. Investment and domestic savings ratios will have to improve substantially to sustain higher growth rates. And the sluggish agricultural sector, which has suffered from the collapse of cocoa prices and erratic weather conditions, will have to be prodded into greater productivity.

Dr Botchwey's plan was overwhelmingly endorsed at the donor conference, which pledged a further \$2.1bn in assistance over the next two years – almost half a billion dollars more than the government had bargained for.

There are reasons for optimism. Since Ghana began to swallow the IMF medicine in 1983, gross domestic product has grown by an average of 4.9 per cent a year, more than twice the sub-Saharan average of 2.1 per cent. It follows a decade during which real incomes per head in Ghana fell by 30 per cent.

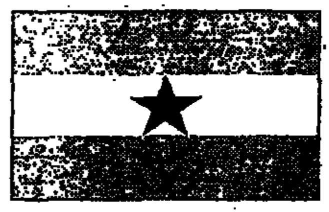
Yet Ghana remains desperately poor. Its average per capita income was only \$400 last year. Low wages have led to an exodus of Ghanaian professionals. There are fewer doctors in Ghana now (one for every 15,000 inhabitants) than in 1975. The World Bank estimates that at current growth rates, it would take 20 years for the average poor Ghanaian to cross the poverty line.

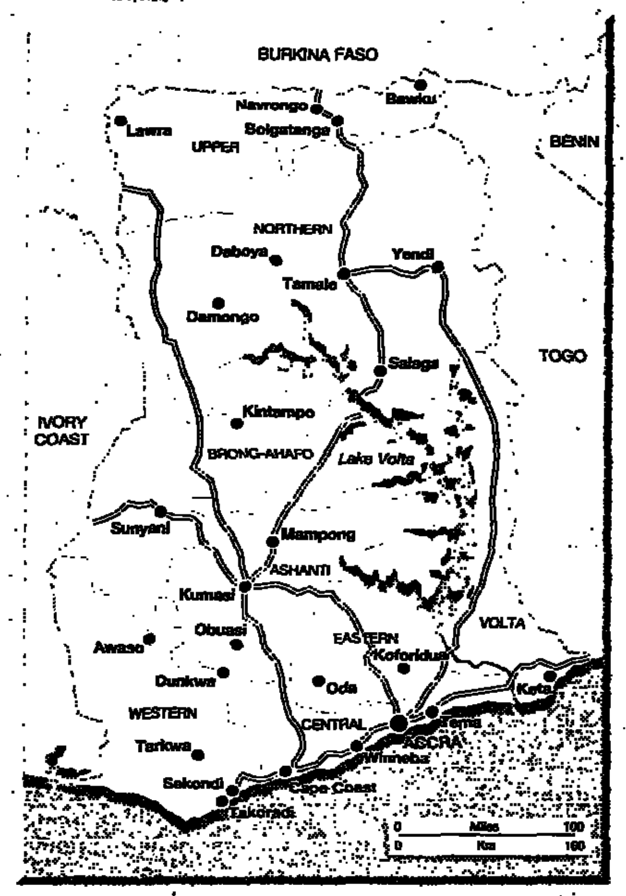
Hence the urgency to push for accelerated growth. A recent World Bank strategy document entitled "Ghana 2000 and beyond – setting the stage for accelerated growth and poverty reduction", estimates that if growth rose to 8 per cent, then the average poor Ghanaian could cross the poverty threshold in 10 years.

Ghana's fast-track development plan has a second, equally important objective: to wean itself off aid dependence by attracting new foreign investment and diversifying exports. Dr Botchwey says there are "real signals" that this is already happening. "A number of multinationals who quit in the 1970s are coming back," he argues. "They are looking at the comparative labour costs and are interested in producing on a large scale for export. There is tremendous scope for rapid expansion in agro-processing industries and in wood processing."

And yet Ghana's private sector success stories in export diversification remain limited.

One company accounts for 90 per cent of Ghana's furniture exports. Another company produces most of Ghana's fruit juice exports. Pineapples are proving to be a lucrative alternative to cocoa, but only because they have been able to displace the more expensive produce from neighbouring Ivory Coast.





Young Ghana: faith in the future

Rawlings: adaptable and popular

Some multinationals which are encountering quota problems in the Far East have expressed interest in setting up manufacturing plants in proposed industrial incentive zones. But few investments have yet materialised.

While the private sector in Ghana agrees with the broad thrust of the government's policies, there is much scepticism over its implementation. "If we think that small manufacturers can suddenly become exporters, we are dreaming," says Mr Ishmael Yamson, chairman of Unilever Ghana. "We need to attract multinationals on the basis that they can come to exploit our cheap labour and natural resources."

Local manufacturers are starved of long-term domestic finance – two venture capital funds set up last year have yet to lend a single cedi to budding entrepreneurs.

Local manufacturers, Mr Yamson says, have little knowledge of export markets. They lack managerial skills and are starved of long-term domestic sources of finance. The government's Export Promotion Council has been ineffective in selling Ghana abroad, while a couple of venture capital funds set up last year have yet to lend a single cedi to budding entrepreneurs.

Mr Yamson places more hope in a new trade and investment programme launched by US aid and other donors, which aims to provide the services and know-how that potential exporters need. The government, for its part, is introducing "a new agenda of activism" that will target investors with special incentives. "Picking winners is a hazardous thing," Mr Botchwey concedes, so he has asked the private sector to draft guidelines for the selective protection of infant industries.

"The protection measures will have to be time-bound, the criteria clear and transparent, to avoid charges of political favouritism," he explains.

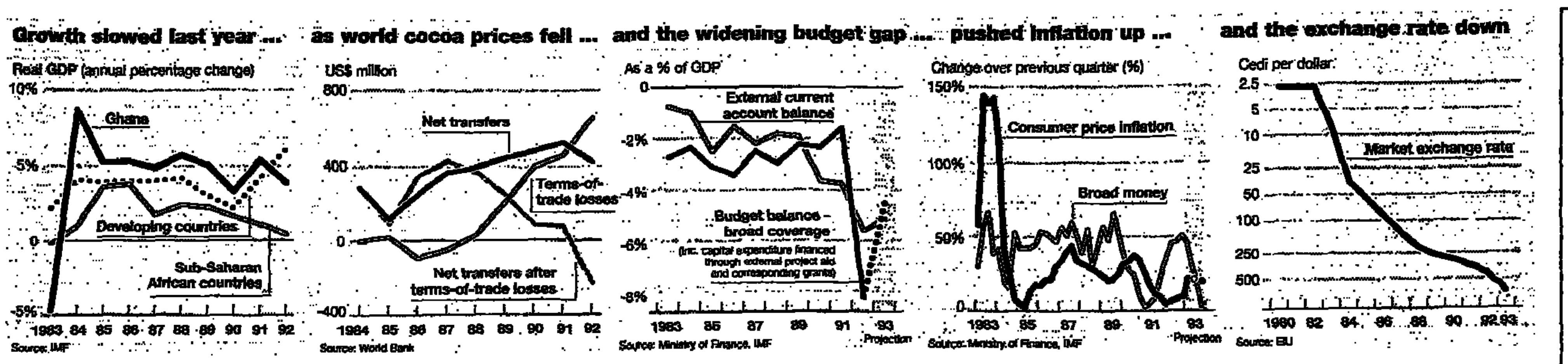
Whether all this can add up to accelerated growth remains to be seen. Much will depend on the government's ability to maintain a healthy macroeconomic environment.

Last year, as Ghana prepared for the presidential election, the government was frightened into granting large pay increases to striking public servants who were on strike. The government's wage bill rocketed to 50 per cent of public revenues, derailing the delicately balanced budget. Inflation rose to 10.1 per cent in 1992 against a 5 per cent target. The World Bank and co-financing donors withheld \$170m of development assistance. And overall economic growth slowed down to 3.9 per cent.

Dr Botchwey moved swiftly to close the budget deficit by imposing a new "killer tax" on fuels in January. Meanwhile, the Bank of Ghana (central bank) sharply jacked up its discount rate to bring the money supply under control.

Inflation, however, is not expected to fall below 20 per cent this year. 1993, therefore, is being billed as a year of belt-tightening and retrenchment. Western diplomats in Accra do not expect the economy to take off again before 1995.

But the determination is there to press ahead. And while the ink may still be fresh on Ghana's accelerated growth plan, the document marks a psychological turning point in the nation's history. By underscoring its faith in its own potential, Ghana is shedding its image as a victim of an unjust world economic order.



Edward Balls explains last year's economic turbulence

A blot on the copybook

NO ONE was surprised when 1992 turned out to be both a turbulent and a disappointing year for Ghana's economy.

On top of severe budgetary pressures linked to last year's transition to civilian rule, Ghana also suffered a 21 per cent fall in cocoa earnings, its main export commodity.

The result was a year which blotted the last page of the military government's copybook on the 10th anniversary of Ghana's structural adjustment programme.

1992 began with the government's finances in apparently good shape. A three-year extended structural facility with the International Monetary Fund ended in 1991 with the budget in surplus to the tune of 1.5 per cent of gross domestic product.

Inflation had fallen to 10 per cent, from a peak of 142 per cent in 1983 when the government's Economic Recovery Programme began. And a succession of balance of payments surpluses since 1987 had enabled the government to build up a healthy pile of foreign exchange reserves, covering more than four months' worth of imports. By the time last November's presidential election finally took place, all these indicators had moved sharply in the wrong direction.

A projected budget surplus of 1.8 per cent of gross domestic product became a deficit of 4.8 per cent; the government was forced to borrow from the banking system, the broad money supply grew by 51 per cent and inflation accelerated to 13.3 per cent by year-end.

The outside world can take only part of the blame. The decline in cocoa prices – and thus the sharp drop in Ghana's terms of trade – was the main reason for the deceleration in economic growth. Agricultural output declined by 0.6 per cent and total output growth slipped, as a result, to 3.9 per cent in 1992 from 5.3 per cent in 1991, the first year since 1983 in which Ghana has underperformed the developing country average.

Market forces: the highest priority for the newly elected government this year has been to get the macro-economy back into balance

A combination of the shortfall in net foreign transfers and the fall in the terms of trade produced a net outflow of resources last year, as the chart above shows.

Yet the main reason for last year's inflationary overshoot and balance of payments problems was profligate budgetary management in the run-up to last autumn's elections as the government succumbed to political pressures, much to the anger of President Rawlings' defeated opponents.

Government tax revenues were markedly lower than forecast, the reason being half-hearted tax collection and lax enforcement of customs duties. But the bulk of the slippage occurred on the expenditure side of the budget as the government bowed to pressure from civil servants in the weeks before the election and grant what amounted to an across-the-board salary adjustment averaging 80 per cent.

Poor fiscal management is not uncommon in election years in the developed world. That the government resorted, to some extent, to pork-barrel politics might conceivably have been interpreted as an early sign that the transition to civilian rule and western-style democracy was on track.

But the donors did not see things that way. As imports accelerated and export growth slumped, aid flows from the World Bank were suspended, the civil service reforms stalled and the government was unable to finance its rising current account deficit. The result was a sharp loss of reserves and a steep fall in the value of the cedi exchange rate.

The highest priority for the newly elected government this year has been to get the macro-economy back into balance in order to ensure a favourable spring report from the International Monetary Fund, and a warm embrace from the aid donors at the recent Paris conference.

Ghana, while far from being the largest recipient of aid among African countries, remains heavily dependent on gross aid flow totalling 8 per cent of GDP a year.

Fiscal policy has already been tightened sharply to bring the budget back into surplus, primarily through a 60 per cent rise in petrol prices. The government is projecting a recovery in revenue collection and an acceleration in the pace of the politically sensitive privatisation programme. But success will depend on the willingness of the civil service unions to accept a nominal pay freeze this year, although last year's excesses and the January petrol increase pushed the annual rate of inflation to 23 per cent in March. Inflation is not expected to fall below 20 per cent this year.

Monetary policy has been tightened aggressively to drain excess liquidity from the banking system – broad money in 1993 should barely grow. The Bank of Ghana, having shifted last year from credit ceilings to open market operations and weekly debt issues, increased its rediscount rate in March. But credit creation in the first quarter was still excessive and in April the Bank imposed a supplementary reserve requirement of 15 per cent of assets on top of the usual 42 per cent.

Bankers in Accra say they are impressed by the effectiveness of the Bank's domestic operations and monetary conditions are now, reportedly, painfully tight. Less impressive has been the operation of the foreign exchange market. Shortages of foreign exchange mean that the proposed inter-bank market is not working. Banks are forced to hand out the foreign exchange they receive as deposits, sharpening the incentive to engage in export-oriented business.

Thus, domestic conditions provide, at least for now, an inauspicious base from which to launch the government's campaign to accelerate economic growth to 8 per cent a year by the end of the decade. Indeed, the target of 4.4 per cent GDP growth this year looks highly optimistic.

The medium-term challenge is to achieve a sufficiently rapid rate of economic growth to reduce the incidence of poverty and wean itself from aid flows. The focus of reform has shifted to initiatives designed to raise standards of primary health and infrastructure, improve the efficiency of the civil service and streamlined state sector and make Ghana a more attractive and profitable location for domestic and foreign private investment in order to encourage the growth of non-traditional export industries (see Page 4).

The government plans to press ahead with privatisation this year. This year's budget announced, for the first time, that profitable state enterprises will be sold off, and senior Ministry of Finance officials confirm that they intend to privatise the state-owned banking sector.

Meanwhile the Ghana Investment Centre is being restructured as an investment promotion centre (rather than the distributor of operating licences and thus one of the economy's most inefficient bottlenecks). The proposed Ghana Investments Promotion Centre will have the job of publicising the government's new investment code, drawn up with the Private Sector Advisory Group.

The code is designed to reduce the minimum foreign participation in joint ventures to $10,000, and $50,000 if the operation is wholly foreign-owned, unless the enterprise is a trading venture only.

Moreover, the code streamlines registration procedures for foreign joint ventures; guarantees repatriation of profits, dividends and fees in respect of loans and technology transfer agreements; guarantees a right to legal redress and fair compensation in the event of compulsory acquisition; and raises the quota limitation on expatriate staff.

But the short-term test is whether the government can restore macroeconomic stability and maintain it while the civilian democratic political system takes root.

Last year, Ghana failed that test and tried its donors' patience. Only if the government is able to fight another election campaign in four years without resorting to economic populism will the reforms begin to look secure.

KEY FACTS

Area	238,537 sq km
Population	15.3 million
Head of state	Jerry Rawlings
Average exchange rate	1992 $1=437 cedis
	July 14 1993 $1=647 cedis

	1991	1992
Total GDP ($m)	7,001	6,884
Annual % growth in Real GDP	5.3	3.9
At year end		
Reserves minus gold ($m)	550.2	319.9
3 month treasury bills (%)	20.0	25.4
Debt		
Total external debt ($m)	3,767.5	3,993.7
Debt service ratio (%)[1]	28.9	25.8
Trade		
Current account balance ($m)	-251.7	-376.1
Exports ($m)	997.6	986.3
Imports ($m)	1,318.7	1,456.6

Notes: 1991 out-turn, 1992 IMF estimates.
(1) Debt service payments as a % of GDP
(2) Trading partners share by value in 1991. *Source: IMF.*

Tough budget to curb excesses

LITTLE did Ghana's electorate know, as they voted in last December's parliamentary elections, what surprises President Rawlings and senior cabinet ministers had planned for the first few months of the new civilian administration.

Within hours of Mr Rawlings's inauguration, Kwesi Botchwey, finance minister, announced a frighteningly tough 1993 budget package of tax increases and spending cuts designed to restore order to Ghana's deteriorating public finances after the excesses of the election year.

Government Budget - Narrow Coverage* (% of GDP)

	1990	1991	*Prog.'92*	1992	1993**
Revenue & Grants	13.2	15.2	*16.1*	12.2	18.8
of which revenue	11.8	13.8	*14.9*	11.1	17.5
Expenditure	13	13.7	*14.3*	17.0	18.5
of which current	9.7	10.2	*10.6*	12.4	13.9
Fiscal balance	0.2	1.5	*1.8*	-4.8	0.3
Domestic financing	-1.7	-2.0	*-2.7*	4.8	-2.2

* Excludes project-related grants and capital outlays ** IMF projections
Source: Ministry of Finance, IMF

The need for decisive action is readily apparent from the large gaps between last year's targets and the actual budget outcomes for 1992. The government began the year expecting to achieve a small budget surplus of 1.8 per cent of gross domestic product. But the combination of poor revenue collection and a 45 per cent increase in the civil service salary bill meant that, by December, this surplus had turned into a deficit of 4.8 per cent of GDP – 5.9 per cent excluding foreign grants.

This year's ambitious budget package is designed to restore the budget to surplus in one year – the government's declared strategy is to close the budget gap quickly, to prevent inflationary expectations becoming entrenched.

The centrepiece is a 60 per cent increase in the price of premium petrol – C1000 to C1600 a gallon ($2.50 at current exchange rates). Speed and administrative efficiency meant that this was preferred to an early introduction of the government's planned value-added tax. It will account for almost two thirds of budget balance improvement.

The remaining tightening is expected to come from improved cocoa revenues, better tax collection and proceeds from privatisation. The government expects to raise cedi 60bn – 1.5 percentage points of GDP – from divestiture. Thirty companies are up for sale, but the government can meet its targets in one stroke if the partial sale of its stake in Ashanti goldfields proceeds.

Opposition reaction to the budget was rapid. The NPP accused the government of "aggravating the economic hardship of a people already burdened by a decade of austerity measures" and called on the parliament to use its powers to reverse the petrol price increase. It argued that this was both regressive and unlikely to yield the government's revenue targets and suggested an alternative package of luxury import duty levies, excise taxes on cigarettes and alcohol and expenditure cuts.

Western observers in Ghana say the petrol price increase should be progressive.

The volume of petrol sales dropped 10 per cent in the first four quarters of this year but projected petrol tax revenues appear to be on target. Even so, the government budget plans look highly optimistic. Unless corporate and import tax revenues recover markedly and divestiture occurs as planned, this year's petrol price increase will not meet the government's ambitious revenue target of 17.5 per cent of GDP this year, up from 11.1 per cent last year.

Meanwhile, the spending targets assume that the government succeeds in freezing civil service salaries in a year in which consumer price inflation is expected to average 20 per cent. If spending does accelerate, or if revenue collection proves disappointing, a further rise in petrol prices cannot be ruled out.

Edward Balls

Deficit goes up

LAST year's economic difficulties show clearly in Ghana's balance of payments. A projected current account deficit of 3.2 per cent of gross domestic product became 5.5 per cent of GDP by year end. Combined with a shortfall in aid flows, this deficit converted a projected balance of payments surplus into a deficit of 1.8 per cent of GDP.

The international environment is partly to blame. The dollar price per ton of cocoa fell by 5 per cent compared to the previous year, although production volumes were also unexpectedly depressed – 243,000 tons against a projected 262,000 tons. The significant decline in Ghana's terms of trade meant that, while total export volumes grew 4.6 per cent, values fell by 1.1 per cent.

Poor export performance was compounded by excessive imports: values grew by 10.5 per cent last year, twice as fast as expected. The surge mainly reflected pre-election expansion in government and consumer demand.

The result was that the Bank of Ghana lost a third of its foreign exchange reserves. By the year-end they had fallen to $346.5m, 2.6 months of imports, from 4.1 months of imports at the end of 1991. The cedi depreciated from 390 cedis per dollar in the final quarter of 1991 to 520 cedis per dollar in the fourth quarter of 1992 and had fallen towards 650 cedi per dollar by the middle of this year.

The government does not expect the current account balance to improve this year.

Balance of Payments ($m)

	1990	1991	1992	1993*
Exports	896.8	997.6	986.3	1014.6
Imports	1205	1318.7	1456.6	1517.6
Trade balance	-308.2	-321.1	-470.3	-503
Net services	-325.5	-352.5	-376.2	-398.4
Current account	-218	-251.7	-376.1	-374.9
Overall balance**	118	170.8	-124.3	167.5

* IMF projections ** Discrepancy between current and capital account is errors and omissions
Source: Ministry of Finance, IMF

While imports are projected to grow by 4.2 per cent, exports values are expected to rise by a disappointing 2.9 per cent: largely the product of continued weakness in world cocoa prices.

The government hopes that cocoa production will recover to 280m tons, exceeding last year's projected levels, but earnings are expected to fall by a further 10 per cent. The result is a projected deterioration in the current account deficit of 5.9 per cent of GDP.

Debt service payments will also jump this year, consuming a projected 37.7 per cent of export earnings as principal repayments become due, before falling to 24 per cent next year and 25 per cent in 1995. Outstanding debts remain equal to 58 per cent of GDP. While the burden of debt service payments has fallen from its mid-1980s high of 57 per cent of export earnings, it remains a substantial drain on the country's domestic resources.

Hence the World Bank's calculation that Ghana would need external financing of $1.7bn over the next two years.

The donors have obliged, deciding last month to increase aid flows above the World Bank's minimum. This should bring great improvement in the capital account this year; it should return the balance of payments to surplus and enable reserves to be rebuilt.

The government is confident that it can achieve its target of a balance of payments surplus of $167.5, 2.6 per cent of GDP and rebuild its reserves to over $500m by the end of 1993, 3.7 months of imports – assuming that the budget remains on track and that the cocoa harvest is good, too.

Edward Balls

Cocoa still dominates agriculture, writes Leslie Crawford

Roads to a better life

ON the road to Breman Askuma, a small hamlet in the heart of Ghana's cocoa region, a signpost proudly announces that electricity has just arrived in this remote part of the world.

Much government and aid agency development work is devoted to improving "feeder roads" – the dirt tracks, connecting isolated farms to main trunk roads, which are a lifeline to Ghana's 10m farmers.

Over the next three years, Ghana's donors will be financing a $106m project to improve and extend the feeder road network. The deregulation of farm prices – an important plank in the government's economic reforms – also had the welfare of rural communities in mind, as farmers now sell their produce at market prices, instead of controlled ones.

And yet the agricultural sector, which dominates the economy (it contributes 41 per cent of gross domestic product) has stubbornly failed to respond to the new price incentives and other structural reforms.

Growth rates have averaged only 2.1 per cent a year (below the increase in population) since 1985, compared with rates of about 7.5 per cent in the rest of the economy. The government admitted in a recent economic review that it would be "a formidable task to raise agricultural output by 3.7 per cent a year" to achieve its objective of accelerated growth.

Dr Kwesi Botchwey, the finance minister, blames erratic weather conditions and declining terms of trade for cocoa, Ghana's main commodity export, for agriculture's poor performance. "When it rains, we have a glut and prices fall. When drought strikes, we have a disaster," he says.

He denies that some of his economic liberalisation policies have harmed farm productivity. Farmers complain, however, that the removal of subsidies for fertilisers, and the spiralling cost of imported agricultural inputs because of the devaluation of the cedi, have placed these vital ingredients beyond their reach.

The government prefers instead to focus on promoting stronger links between agriculture and the rest of the economy. The absence of an effective agro-industrial processing capacity, it says, constitutes one of the main missing links in Ghana's quest for sustained agricultural growth and development. And if the agricultural sector is to contribute to the country's export drive, internationally acceptable quality standards, including packaging and product presentation, will have to be implemented.

Cocoa earns about 40 per cent of exports *Picture: Ghana Information Services*

Cocoa, which contributes about 13 per cent of agricultural GDP and 40 per cent of export earnings, will remain of pivotal importance, despite the slump in international cocoa prices and fierce competition from East Asia.

Dr KJ Adjei-Maafo, head of the cocoa policy unit at the Castle – the government seat in Accra – says his main objective at a time of plummeting prices is to maintain farmers' incomes, as 60 per cent of the rural population depend on this cash crop. He is doing so by slashing the bloated bureaucracy of the Ghana Cocoa Board (Cocobod). "The layoffs have not made me a popular man, but they were necessary to stave off the collapse of the industry," Dr Adjei-Maafo says.

Cocobod's farms and chocolate factories have been privatised, and internal marketing opened to private sector competition. The government's target is to put at least 60 per cent of cocoa's market value into farmers' pockets.

Yields last season increased by 44 per cent to 405 kg per hectare. This, however, is still only half the yields achieved in neighbouring Ivory Coast, the world's biggest cocoa producer.

Cocobod will remain in charge of cocoa exports, but three trading companies have been licensed to compete with Cocobod over the purchasing of the crop at the farm gate. Competition is expected to be fierce, as Cocobod will pay a takeover fee of 54,000 cedis ($84) for every ton of cocoa delivered to port.

The government has set the new producer price for the 1993-94 season at 308,000 cedis ($513) a ton, a 19.4 per cent increase over the previous season. Traders are promising to reimburse farmers quickly. Under the old regime, producers often waited for months for Cocobod to pay up.

The reforms have also revived the moribund co-operative movement in Ghana. Over 200,000 farmers have joined together to form the Ghana Co-operative Marketing Association.

Co-op members are both nervous and excited at the challenges ahead. They have been busy obtaining bank loans to finance their start-up costs, and have approached aid agencies for help. "We will only know how good the business is after the first season," says Mr Kojo Danso-Mensah at the Co-op's ramshackle offices above a chicken farming outlet in the heart of Accra.

Ghana's efforts to give its farmers a better deal have led to a great deal of smuggling from the Ivory Coast, where the government has slashed its cocoa purchasing prices to remain competitive. The "contamination" of Ghana's premium quality cocoa with its neighbour's inferior stuff is viewed with understandable apprehension. Smugglers who are caught are being charged with "economic sabotage" – a crime punishable by life imprisonment.

The government also hopes to attract foreign investment in oil palm, cotton, rubber and tobacco. It particularly wants oil palm to be processed in Ghana, to export a greater value added product. Dr Botchwey says he is prepared to consider incentives to foreign manufacturers.

Forestry is another sector which the government wants to industrialise. The most common sight on Ghana's rural roads at present are broken down articulated trucks, leaning precipitously on the side of the road where axle shafts have buckled under the weight of enormous tree trunks.

The government and ecologists are worried about the rapid depletion of Ghana's tropical hardwood forests, and a ban on all exports of raw logs has been decreed, beginning in 1994. From that date, all timber exports will have to be processed into sawn wood or furniture parts. (Several operators in the industry doubt whether the ban will be enforced. There are huge vested interests in the logging business.)

In addition, Ghana has set aside 16 per cent of its total land area to permanent forest and wildlife reserves. Outside these areas, the government rations logging licences.

But the population explosion, with the accompanying demand for food and fuel, has led to the removal of most of the non-reserved forest. Moreover, the practice of selective logging, which concentrates on a few choice species, has also contributed to deforestation and degradation. Furniture manufacturers complain that Aphromosia, the prized white teak, has become extinct in Ghana.

Gold is now the biggest earner

Production quadruples

"THIS mine will bring in new revenue, foreign investment and help the whole area to develop," said President Jerry Rawlings at the opening in February of the Iduapriem gold mine in Ghana's western region, marking the latest development in the industry's continuing expansion.

No sector of Ghana's economy provides such striking evidence of the benefits of economic reform as the country's thriving gold mines.

Liberalised mining investment laws have attracted $900m of new capital and helped to quadruple the country's gold production to 1m ounces a year since 1986, putting the mineral above cocoa as Ghana's leading export.

Export earnings this year are expected to exceed $375m, compared with $343m last year, and $304m in 1991. Furthermore, if the Ministry of Energy and Mines plans are fulfilled, production will double to 2m ounces a year by 1997.

Central to the revival of the sector has been the Minerals and Mining Law of 1986 which brought in a new wages and income policy for mine workers, coupled with the efforts of the Minerals Commission which liaises with foreign investors. In the privatisation programme under way the government hopes to raise $100m by reducing from 55 per cent to 35 per cent its stake in the Ashanti Goldfields Corporation (AGC), a joint venture with Lonhro, the British conglomerate.

Ashanti is one of the richest gold deposits in the world; it accounts for nearly 80 per cent of Ghana's gold exports. It has a total concession of 256 square kilometres; its deposits are extensive and high-grade. AGC's reserves average eight grammes a ton, helping to keep production costs within the lowest 15 per cent in the world.

An independent assessment of Ashanti's existing and proposed operations, carried out by James Askew Associates of Perth, Australia, has established proven and probable reserves of 9.1m ounces of gold, or a 10-year mine life. The International Finance Corporation has helped to syndicate a $140m loan, beginning a 10-year investment worth about $555m to develop Ashanti.

The Ashanti Mine Expansion Programme (AMEP) is designed to raise its output to 1m ounces a year by 1996, drawing on the latest techniques in sulphide mining and metallurgy in order to develop large sulphide deposits adjacent to some existing deep mine and open pit operations.

Meanwhile the gold deposits of the western region of Ghana are also attracting investors. The Iduapriem mine, about 300 kilometres west of Accra, is owned and operated by Ghanaian Australian Goldfields (GAG), a joint venture between Golden Shamrock Mines (68.95 per cent), the International Finance Corporation (20 per cent) and the Ghanaian government (10 per cent).

Golden Shamrock is the Australian group controlled by Mr Oren Benton's Concorde group, based in Denver, Colorado, which trades 70 per cent of the world's uranium.

After an initial investment of $10m by GAG, the International Finance Corporation connection helped the company to raise a $55m loan from a syndicate made up of Swiss Banking Corporation, the Netherlands' ING bank, the German and Dutch aid finance agencies DEG and FMO, and Ecobank, the West African regional trade bank. The mine began producing last September and is producing gold ahead of its target rate of 120,000 ounces a year, worth about $46.8m at the mid-July 1993 price of about $390 an ounce.

The new open cast mine contains an oxide ore body with about 2 ounces of gold per bulk ton and GAG expects it to yield about 1m ounces of gold by the end of this decade. Golden Shamrock hopes to use the GAG as a base for further mining ventures in Ghana – or elsewhere in West Africa.

A few kilometres from the site is the old Prestea mine, where Gold Fields of South Africa bought a controlling interest in January – following closely after another acquisition from the state authorities, the old mine at Tarkwa, by Newmont of the US. The Prestea mine now run by Gold Fields has larger (but much deeper) sulphuric ore deposits than Iduapriem, but under-investment had made the mine uneconomic for many years.

Although gold seems set to retain its leading role, diamond earnings will pick up, say industry officials. Output from the main producer, Ghana Consolidated Diamonds Ltd – about 150,000 carats in 1991 – is projected to rise five-fold over coming year.

Manganese exports remain below the 1974-75 peak of 638,000 tons, but rehabilitation of the Ghana National Manganese Corporation's mine has increased production from 159.000 tons in 1983 to 364,000 tons in 1990.

Paul Adams

Scanstyle: furniture from the forest

IF GHANA is going to make a go of export-led growth, it will need more companies like Scanstyle Mim, a small furniture manufacturer working in the heart of Ghana's tropical hardwood forest.

Scanstyle's main contact with the outside world is through a crackly radio transmitter. The national electricity grid only reached the factory in Mim last year. Yet Scanstyle is responsible for more than 90 per cent of Ghana's furniture exports. Its earnings are small – $6m last year – but growth potential is huge.

The company's turnover has grown six-fold since 1982. And in added value terms, Scanstyle's furniture earns five times as much as the same volume of unprocessed timber. So why aren't more loggers branching into the furniture business? "Because," says Mr Kwabena Pepera, the company chairman, "logging earns more money with less risk. If a consignment of furniture is rejected, you risk bankruptcy."

Many Ghanaian companies find it difficult to export because they cannot meet the quality standards demanded by overseas customers, he adds.

Local manufacturers often have little knowledge or experience of marketing abroad.

Ghana is not yet geared to providing pre-export finance, or long-term capital for investment in plant and machinery. Scanstyle shows how obstacles were overcome. The company was set up in 1968 by a Norwegian who spotted an opportunity to use the offcuts of a large sawmill in Mim. In the early 1980s, frustrated by government curbs on his business, he decamped to Singapore, leaving a knowledge of the European furniture market and the quality standards required.

"Under the old government controls," Mr Pepera recalls, "we could not export a single chair. But we had Lebanese traders coming from the Ivory Coast and paying cash to smuggle our goods through the jungle." Life for exporters has become easier. Export and import licenses have been abolished; foreign exchange controls scrapped; and the cedi has been devalued, making Ghanaian exports more competitive abroad.

With the help of a $400,000 Japanese loan, the company has bought computer controlled lathes from Italy which will allow it to tackle more complex furniture.

It trains its personnel abroad, and has opened a sales office in London to be closer to its clients. Scanstyle's biggest market is the UK, where its garden furniture and chairs in tropical hardwoods - white teak, mahogany and other species with mysterious African names - are highly prized. The company also exports to Germany, Italy and Ireland. It has not been able to break into the American market because it cannot yet match the size of the orders. "Our main constraint is a shortage of raw timber," Mr Pepera explains.

Leslie Crawford

Edward Balls examines some harsh realities for the future

Hopes may be too high

GHANA is perhaps the only African country to have accepted the spirit, as well as the letter, of the World Bank's list of market-based reforms over the past decade. But after 10 years of structural adjustment, the country has yet to receive the promised rewards.

At current growth rates (5 per cent for GDP, 3 per cent for population) it would take Ghana 20 years to join the ranks of lower middle-income countries. Only then would the average poor Ghanaian reach the poverty threshold – defined as two-thirds of today's average consumption per head.

To succeed, the World Bank's African role model must make the leap into accelerated growth and wean itself off foreign aid by attracting much more of the private and foreign direct investment that Africa so desperately needs. Failure to do so would mean, rightly or wrongly, a damaging blow to the Bank's reputation in the continent.

Little wonder that understandably nervous World Bank officials hurry to damp down expectations about Ghana's future prospects while stressing the progress that has already been made. Yes, they acknowledge, Ghana remains a very poor country (average incomes averaged around $400 per head) and relies heavily on foreign assistance. But Ghana's economic performance has still been impressive over the past decade relative both to the previous 10 years and the rest of the continent.

Real incomes per head have grown by an average 2 per cent a year since 1983; they fell by 0.4 per cent a year in the decade before the structural adjustment programme began. GDP growth has averaged 5 per cent a year since 1983; in sub-Saharan Africa the average is 2.1 per cent.

These growth rates occurred while Ghana's terms of trade have fallen relentlessly. While gross aid flows have averaged 8 per cent of GDP a year, adjusted for Ghana's large terms of trade losses the net resource transfer was less than 5 per cent of GDP at its peak, compared to a sub-Saharan African average of 8 per cent.

In short, World Bank and International Monetary Fund officials argue, Ghana confirms that structural adjustment is a necessary condition for successful development. Low inflation, a realistically valued exchange rate, reduced tariff barriers and the removal of numerous restrictions on investment, have together delivered much faster growth.

Ghana's experience, they argue, also undermines some common myths about adjustment. Does structural adjustment require a smaller public sector? Fewer civil servants, perhaps, but the share tax revenue in GDP has tripled since 1983. Does adjustment hit the poor harder? The sketchy evidence, according to Mr Ravi Kanbur, World Bank mission chief in Accra, suggests that, on average, adjustment has reduced the incidence of poverty by shifting resources from the richer urban areas to the poorer, rural regions.

But Ghana also demonstrates that successful structural adjustment is insufficient for an acceleration of economic growth and a rapid fall in poverty. The obstacles to an acceleration in economic growth to the levels achieved by the east Asian developing economies over the past two decades will not be rectified by low inflation and liberalisation alone.

Ghana lags far behind its east Asian competition in all areas of social and physical infrastructure, as the charts show. 80 per cent primary school enrolment is high by African standards but low compared to east Asia. And the capacity of Ghana's civil service to implement reforms remains disappointing, as Kwesi Botchwey, the finance minister, readily admits.

Most worrying are the low level of private sector investment and the small share of manufacturing investment in GDP. Last year's balance of payments does, in fact, suggest that flight capital may be beginning to return. But inflows of foreign direct investment remain low.

Senior government minsters call for a new "agenda of activism" to address these deficiencies. Mr Botchwey stresses the need to attract foreign investment to supplement Ghana's small pool of domestic private savings and trumpets the new investment code. He talks of packages of tax cuts and tariff concessions to attract particular foreign investors.

Meanwhile the Bank of Ghana is using all its powers of moral suasion to encourage the banking sector to bias its foreign exchange operations towards export-orientated business and offer cheaper term loans for new investments. The Bank has made it clear, says one banker in Accra, that "importing second-hand cars is not consistent with sustainable development."

But the government appears undecided about whether to bow to pressure for infant industry protection, from members of the private sector advisory group, although the World Bank and IMF counsel strongly against it. "Free trade means efficiency but it can also destroy domestic industry," says one senior minister."

Mr Ishmael Yamson, chairman of Unilever Ghana, does not believe in protectionism. "It breeds corruption and inefficiency," he says. "Most companies in Ghana asking for protection grew up in a shortage economy and have never had to justify their investment."

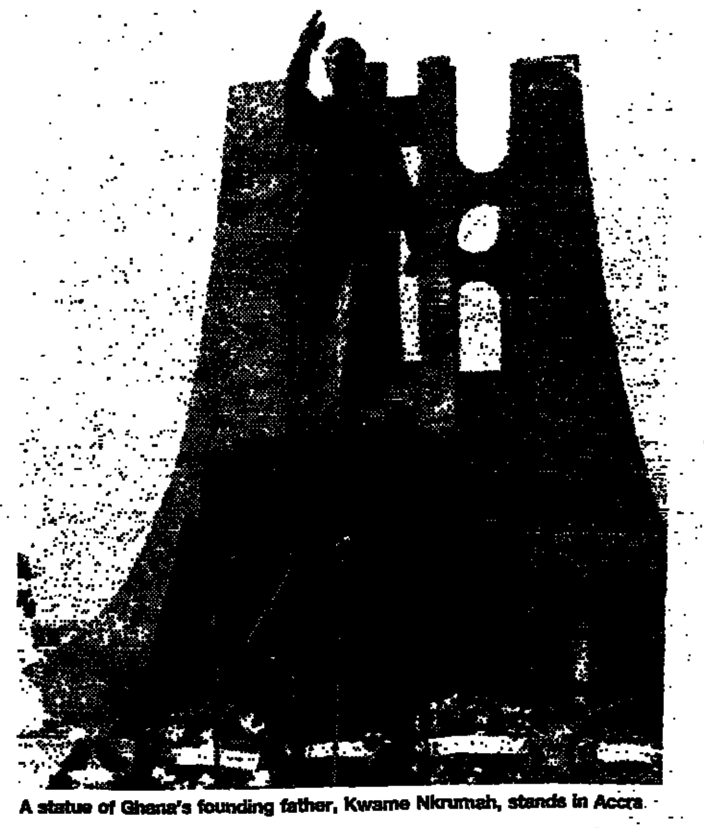
The missing ingredient is confidence. Senior ministers privately voice frustration at President Rawlings's occasional outbursts against particular private companies.

Ghana's experience suggests some lessons for the rest of sub-Saharan Africa. Bank, Fund and government officials list some possible reasons for Ghana's success:

- *Ownership:* the Economic Recovery Programme was identified with the government, not the donors, and ministers took responsibility for mistakes as well as successes – at each stage, they worked hard to persuade interest groups that reforms were in their interests;
- Sequencing: reforms were carefully staggered – the devaluation occurred well before imports were liberalised – and not pushed through faster than the government's capacity limitations allowed;
- Aid: donor support was substantial and became available from the outset of the programme before the government had established a track record.

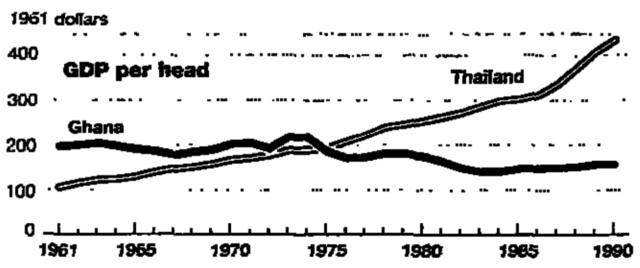
But the missing element is politics. The military has consistently tried to align its interests with those of the rural poor rather than the richer urban elite who probably stand to lose more from adjustment in the early stages. And the government was able to build an impressive track record, over a 10 year period, before putting its popularity to the test through last autumn's elections. An election in 1985 or 1986 may well have delivered a very different result.

But the Rawlings government won the right to continue for a further term of four years, in an election which most western observers judged to be free and fair. That is perhaps the most encouraging sign yet that structural adjustment might work in Africa.



A statue of Ghana's founding father, Kwame Nkrumah, stands in Accra

Catching up with rapidly growing Thailand ...



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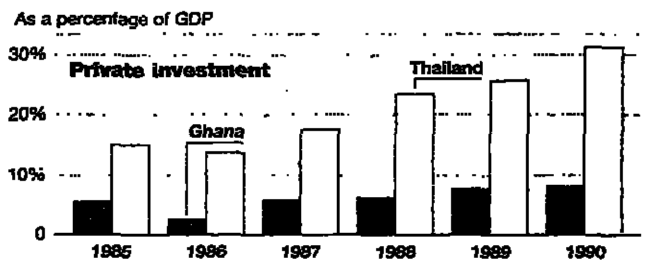

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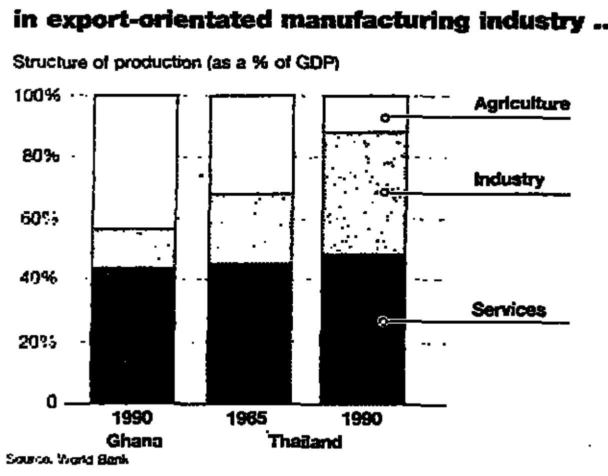
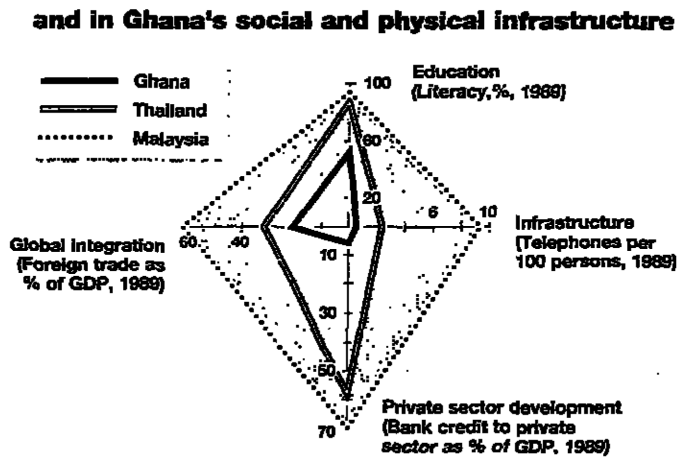


Source: World Bank

and in Ghana's social and physical infrastructure



Politics: Leslie Crawford reviews the transition to democracy

President's new clothes

FOR 11 years, Flight-Lt Jerry Rawlings, Ghana's military ruler, wore combat fatigues to work. Since he won a contested presidential election in November, Mr Rawlings wears suits. The president's new clothes reflect the changes in Ghana since its transition to democracy: all form and little content.

The country has the same head of state, key government ministers and ruling party as before. Economic and foreign policy remain unchanged. Only two out of the 200 members of the new parliament have previous legislative experience. And the opposition parties, which boycotted parliamentary elections in December, are almost as voiceless now as they were under military rule.

Like most single-party regimes which open up, there is little appreciation within Mr Rawlings' National Democratic Congress (NDC) of the distinction between ruling party and state. The president's chief adviser, Mr PV Obeng, defends political continuity, arguing that the electorate voted for more of the same. "We have no wish to experiment with the future of Ghana when we have tried and tested hands in government," he says.

President Rawlings' conversion to democracy was sudden but thorough. In a year a consultative assembly had drafted a new constitution, overwhelmingly endorsed in a referendum in April 1992. The ban on party politics was lifted in May 1992 and presidential elections were held in November.

An inflated and inaccurate electoral register probably helped Mr Rawlings more than his opponents. Professor Adu Boahen, who stood for the conservative New Patriotic Party (NPP) is still bitter. "The election was rigged," he says. "Every rule in the game was broken. Votes were miscounted, our supporters were intimidated. The whole thing was riven with fraudulent, disgraceful practices."

The opposition documented the alleged election irregularities in a report entitled "The Stolen Verdict". But they did not think it worthwhile to contest the results in court.

Instead, they boycotted the parliamentary contest in December. This allowed Mr Rawlings' NDC to sweep the field. It won 189 out of the 200 seats in the single-chamber legislature. Other pro-Rawlings parties won nine seats. Two independents were elected.

The opposition has devoted so much soul-searching to the pros and cons of the boycott, that little real analysis has been expended on the weaknesses of their presidential campaign. Professor Boahen's party of businessmen and intellectuals are contemptuous of the "arrivistes" who run Rawlings' NDC. The feeling is mutual. But on economic policy there is little to choose between them.

So the election was fought on personalities, and here President Rawlings' dynamism and rhetorical skills gave him the upper hand. "It is regrettable that we are not in parliament," says Mr Bernard Joao da Rocha, the NPP chairman. "But we were trapped between two evils: of not having people in parliament or ignoring the public outcry against the fraudulent presidential result."

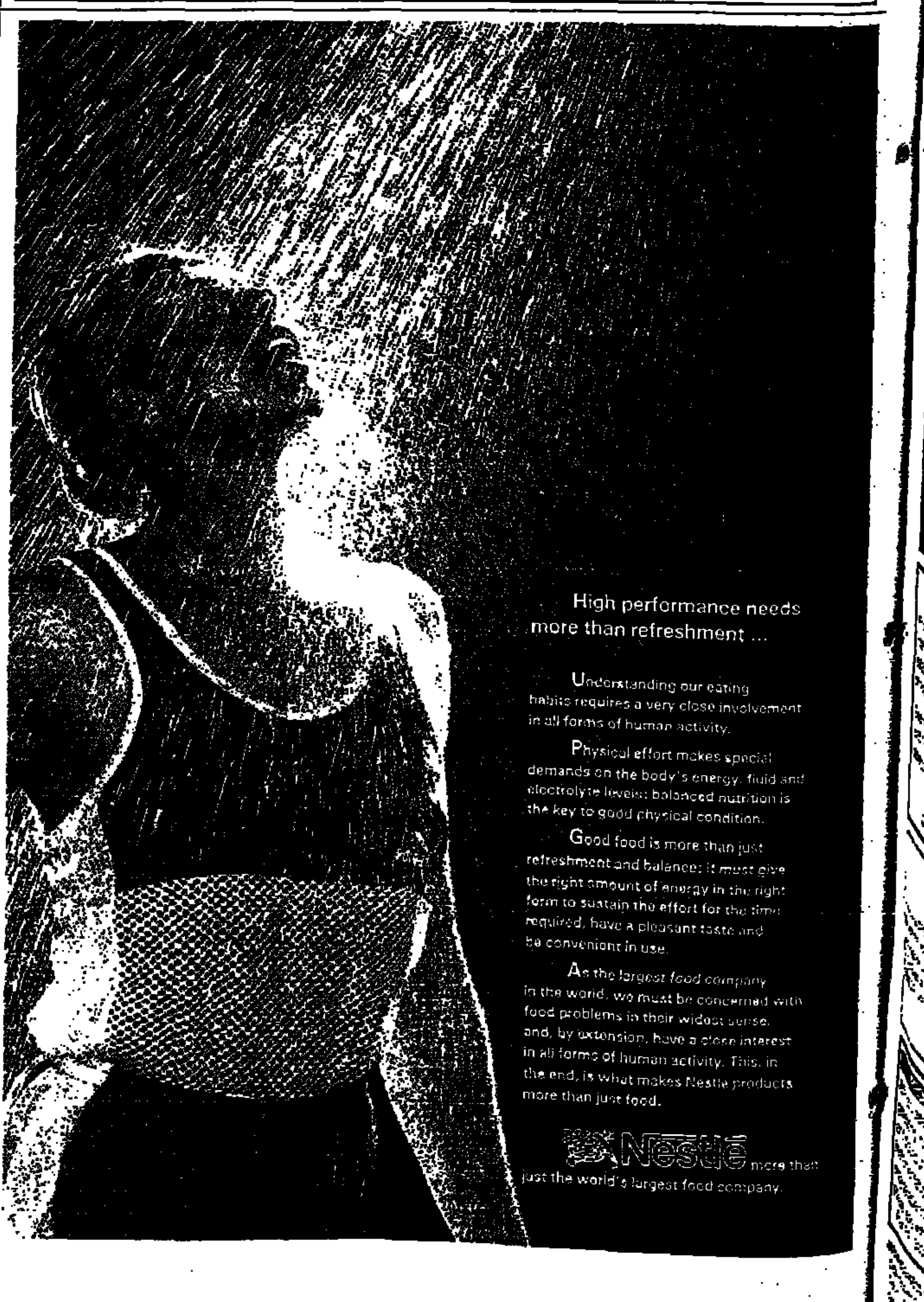
The opposition has divided into two camps. The "hawks", led by Professor Boahen and Mr Komla Gbedena, one of the grand old men of Ghanaian polirics, refuse to confer legitimacy on the new government and will have no truck with it. Secretly, they hope the government will fall. The "doves", led by Mr da Rocha, desperately want to establish a *modus vivendi* with President Rawlings and his parliament.

The new legislature is also keen to broaden its appeal by giving the opposition a voice. The NPP was invited in April to present its views on the 1993 budget. But Mr da Rocha is all too aware that the boycott has placed his party at the mercy of parliament's goodwill. The opposition says it has reason to doubt the government's commitment to democracy. Paramilitary groups have not yet been dismantled. President Rawlings hounds opposition businessmen with sporadic outbursts. And new laws keep appearing, backdated to early January, before the new government took office.

The opposition suspects that Mr Rawlings' government continues to legislate by decree, backdating the laws to by-pass the new parliament. But Mr Obeng says the late appearance was because of "printing problems at the government presses". He admits, however, that the outgoing military government crammed a lot of legislation into its final days.

Even from self-exile, the opposition promises to be the "guardians of the constitution". Its main demand is a new electoral register backed by identity cards to ensure a level playing field in the next elections in four years' time. They are not daunted by the fact that President Rawlings has the constitutional right to stand for re-election.

"When your opponent hits you below the belt and the referee pretends that he doesn't see, do you quit boxing? Or do you prepare yourself better for the next bout?," Mr da Rocha asks. "We survived proscription for 11 years. Another four won't be our undoing."



MANAGEMENT: THE GROWING BUSINESS

In a Nutshell

Falling down on health and safety

Three-quarters of British companies are failing to comply with new health and safety legislation six months after it came into force, a survey by the Eagle Star insurance group showed.

The survey of health and safety managers from 185 companies – one-third employing fewer than 100 people – revealed that only 23 per cent had fully implemented the changes, which covered areas such as the use of visual display screens and the manual handling of loads. Forty four per cent of companies had yet to comply with the Control of Substances Hazardous to Health regulations, which came into effect in 1989, Eagle Star said.

Pick your angel from the database

Wealthy private investors – business angels – might be persuaded to back small firms if only there were some way of bringing the two together. This is the thinking behind a feasibility study which is being undertaken by National Westminster Bank to see if a national database of angels could be set up. The bank is carrying out a pilot study in the north-west of England and the Thames valley to see how much time and money investors would be prepared to commit to small firms.

Potential investors should contact Peter Ives, NatWest Technology Unit, Fenchurch Exchange, Fenchurch Place, London EC2M 4PB. Tel. 071 374 3734.

Wake-up call for rollover relief

Capital gains tax rollover relief granted to entrepreneurs in the last UK Budget has been extended to take in shareholders in quoted companies as well as those with shares in private businesses.

Before the last Budget, tax reliefs had been available to passive investors in private companies but not to the managers.

The British Venture Capital Association felt this still discriminated against entrepreneurs who had taken their companies to the stock market, and lobbied further. An amendment to the Finance Bill, expected to become law shortly, extends relief "to gains arising from the sale of quoted shares where the qualifying entrepreneur held the shares when they were unquoted".

Acknowledging the growth factor

A total of 11,600 companies with a combined turnover of £17.8bn make use of factoring and invoice discounting in the UK, according to a new survey.*

But the potential market may be as much as 10 times as big, according to Michael Bickers, a financial adviser. There are 36 active factoring companies and three which are financing existing clients but no longer taking on new business.

The industry continues to be dominated by the 11 members of the Association of British Factors and Discounters which represent 90 per cent of the total. Members of the Association of Invoice Factors account for just under 2 per cent and non-association factors for more than 8 per cent.

**Part of a larger report entitled Factoring in the UK to be published shortly. From BCR Publishing, 108 College Road, Bromley, Kent BR1 3PF. Tel 081 466 6987. Available in two versions: £195 or £285.*

Large supply of short-term plans

Only just over half of small business owners – 54 per cent – draw up a formal business plan when they start up, according to survey by Barclays Bank's Business Planning Bulletin.*

The most common reason for preparing a plan was to obtain bank finance, mentioned by 36 per cent; to formalise ideas (34 per cent) and assess the viability of their venture (24 per cent). Only 19 per cent used it to monitor their progress.

Businesses which did plan ahead still took a short-term view. Twenty three per cent planned one year ahead and 5 per cent planned two years ahead. Sixty one per cent planned only up to one month ahead.

**From Paragon Communications. Tel. 071 734 6030. Free.*

Louise Harvey: from next year, a handshake and a brief letter will no longer be enough when she signs up an agent

New rules for old agreements

Deals between companies and their agents will be subject to new EC legislation, writes Charles Batchelor

Louise Harvey, sales manager of Wren Giftware, says she usually seals the signing up of a new agent with a handshake and a brief letter of confirmation. Normally, the only points of detail to be agreed are the territory to be covered and the level of commission.

From January 1, when new European Community-inspired legislation comes into force in the UK, she will have to take a lot more care in drawing up agency agreements. Wren, based in Stoke on Trent, employs 40 people making fine bone china coffee mugs. It has turnover of £1.3m and uses seven agents in the UK and three elsewhere in Europe.

On that date, the UK and Ireland will join the rest of the Community in applying far more detailed rules governing agreements between companies (principals) and their agents. The new regulations apply not just to agents in other EC countries but also to those in the principal's home country. They do not apply to agents outside the EC.

The new rules borrow heavily from legislation in Germany, where agents have been able to use their contracts as security for loans and where considerable compensation is available if an agreement is terminated. The result will be to strengthen the legal position of agents and give them a far greater degree of security.

The new rules increase the responsibilities of companies using agents as well as the financial consequences of mishandling the relationship.

"This is a very significant change," says Ian Campbell, director-general of the Institute of Export. "It is a move from a freely negotiated arrangement between two willing parties to a structure where the rules are set in law."

Previously the two sides could agree terms between them, subject to the rules of common law, and if a dispute went to law each case was decided on its own merits. Under the new rules the rights and duties of both sides are specified more precisely. They cannot be written out of contracts.

Since agents provide a relatively trouble-free means of expanding into new geographical markets, the new rules have caused considerable concern among many businesses and their trade associations.

Two seminars arranged by the Giftware Association to explain the new rules attracted more than 600 people, says Isabel Jones, association secretary.

"The change-over will cause problems, especially in our industry, where the companies are quite small," she says. "But if people handle it correctly, the new rules should only amount to good business practice."

The precise form the new rules will take has still to be finalised and the Department of Trade and Industry has only just finished consulting businesses about its second draft of the commercial agents regulations. The final text will be decided in the next few months.

Uncertainty about their impact is reflected by the fact that there has been little response to the department's request for views on the likely cost of compliance.

Businesses must review their current arrangements and if necessary replace them with more suitable ones before the new regulations come into force, solicitors Fox Williams advise in an explanatory booklet.*

The main changes to occur are:

- Agents will have the right to commission on sales completed within a reasonable time after the agency contract has been ended, when the transaction was mainly the result of the agent's efforts.

The new regulations do not set a period during which commission can be claimed so it makes sense to agree a period in the contract to avoid disputes, Fox Williams suggest. At present most companies have very vague arrangements.

- Principals will no longer be able to delay paying their agents merely because they have not yet been paid.
- Precise new rules have been drawn up to cover the termination of contracts. Either party must give written notice of not less than one month in the first year, two months in the second year and three months in the third and subsequent years.

The two sides may agree longer periods but the principal may not set himself a shorter period than applies to the agent.

- Provided the agent has not breached the terms of his contract, companies become liable to pay compensation to their agent to cover losses and costs resulting from the termination of the contract.

Compensation must take into account the commission the agent might have earned and costs and expenses which he has not been able to recover.

"It will not be so easy to close down an agreement on a non-performing agent," comments Martin Egan, head of the Essex Export Agency, a consultancy.

"It could make it difficult dealing with a lazy or unscrupulous agent," notes Hazle Boyles of Hazle Ceramics, a Brentwood, Essex-based manufacturer of "collectibles" with £250,000 of sales. "You could end up paying double if you take on a new agent."

A danger for the smaller company is that the more formal framework may prompt an increase in the number of legal disputes. Small firms may be unable or unwilling to meet these costs, so they must be careful in their choice of agents and in the way they draw up agreements, the experts advise.

The Giftware Association has commissioned a model agreement from its lawyers to help its members but principals may still need to consult a lawyer.

"Companies will have to become more professional in drawing up contracts," says Campbell. "Too often export decisions are left to junior staff. Senior management is happy until something goes wrong. This is an area of risk management to which companies will have to pay more attention."

**The Commercial Agents Regulations, Fox Williams, City Gate House, 39-45 Finsbury Square, London EC2A 1UU. Tel. 071 628 2000. Nine pages. Free.*

Coping with recovery

Managing the upturn could prove just as demanding as surviving the recession. Businesses frequently run into cash-flow problems when orders increase.

London accountants Blick Rothenberg suggest a 10-point programme for managing recovery.

- Do not try to increase turnover before strengthening your financial position. Speak to your bank manager to ensure that you have adequate facilities. If the bank will not help, consider alternatives such as factoring.
- Carry out credit checks on your customers. If they become overstretched they may pull you down with them. Review credit limits; use a commercial credit rating agency; chase overdue accounts.
- Draw up cash-flow plans based on different levels of future sales so that you can see the implications.
- Be careful about new spending. It may be worth paying comparatively high charges on a short-term lease of a piece of plant in case you need to cancel quickly.
- Do not be tempted to buy expensive plant, using the 40 per cent first-year tax allowances available until October, 1993, unless you had intended to purchase it anyway.

The cash-flow benefits could take up to 21 months to come through and you may anyway have "tax losses" available as a result of the recession.

- Keep staff levels low and use temporary workers where possible.
- Review payroll costs each week or month.
- Monitor the key financial numbers such as order book, sales and debtors each week. Do the same for your stock levels, purchases, creditors and bank balance. Keep a regularly updated three- to four-month cash-flow projection on your desk.
- Most businesses do not need to prepare profit and loss accounts more than once a quarter.

Save time and money by reducing needless paperwork. The weekly information described above will be sufficient.

- When you have dealt with these immediate issues, draw up a three- or four-year business plan.

CB

BUSINESSES FOR SALE

CITRUS FRUIT GROWER AND EXPORTER URUGUAY

Milagro SA

The proposed sale of Milagro SA, a part of the Polly Peck Group, represents an opportunity to acquire an established Uruguayan citrus fruit grower and exporter.

Principal features of the business include:

- 7 individual citrus farms and packing facility
- 1715 hectares of planted and plantable land with in excess of 380,000 trees which produced 25,000 tonnes of fruit in 1992 and are forecast to produce 33,000 tonnes of fruit in 1993
- nursery containing 388,000 trees
- extensive "fertirrigation" systems
- considerable growth potential from a maturing tree profile
- low cost producer selling into the Northern Hemisphere's contra season.

For further information, please contact Stuart Duplock or Dipika Shah at Coopers & Lybrand, 1 Embankment Place, London WC2N 6NN. Telephone: 071 213 1239. Fax: 071 213 1330.

Coopers & Lybrand is authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Coopers & Lybrand

Freehold Reversionary Interests For Sale

The Liquidators of Brent Reversions Limited and Brent Reversions (No2) Limited offer for sale various freehold reversionary interests.

Principal features of the property portfolio include:

- 100 freehold domestic properties subject to life tenancies
- life tenants all over 60 years of age
- mainly located in the South
- current vacant possession value of properties in the region of £5 million.

For further details, please contact Alistair Grove or Ian Walker at Coopers & Lybrand, Midland House, Notte Street, Plymouth, Devon PL1 2EJ. Telephone: 0752 666888. Fax: 0752 604108.

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Coopers & Lybrand

PRODUCT DEVELOPMENT AND TOOLING COMPANY

Nagle Tooling Limited

The Joint Administrative Receivers, offer for sale the business and assets of the above company which develops mould tools for the plastics industry.

Principal features of the business include:

- turnover approximately £1.2 million p.a.
- current order book circa £500,000
- blue chip customer base
- experienced team of designers
- excellent CAD/CAM facilities
- new leasehold premises in Thame, Oxfordshire.

For further details, please contact the Joint Administrative Receiver, SP Holgate at Coopers & Lybrand, 9 Greyfriars Road, Reading, RG1 1JG. Telephone: 0734 597111. Fax: 0734 607703.

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Coopers & Lybrand

J. Alsford Limited

(In Administrative Receivership)

The Joint Administrative Receivers offer for sale the business and assets of J. Alsford Limited.

- *Timber importer and merchanter of timber and timber related products*
- *Network of 23 retail outlets in the South East of England*
- *1992 unaudited turnover £10 million*
- *Wharfage and warehousing facilities on 12 acre site at Rye, East Sussex*
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CONTRACTS & TENDERS

INVITATION FOR REGISTRATION
NAMIBIA
HARDAP DAM REHABILITATION

Lahmeyer/VWL, a Joint Venture between Lahmeyer International GmbH of Frankfurt, Germany and VWL Namiba Ltd., of Windhoek, Namibia, on behalf of its Client, invites the registration of experienced contracting organisations who wish to tender for the rehabilitation of the asphalt concrete lining of the Hardap Dam, near Mariental, Namibia.

The rehabilitation works comprise the removal of approximately 70 mm, by mechanical milling, of 25,000 square metres of existing deteriorated asphaltic concrete lining, and its replacement with a new asphaltic lining. Ancillary works may include the repair and/or replacement of movement joints and seals, and the reinstatement of a portion of the dam crest access road by using recycled milled-off lining material as aggregate/filler.

Due to the expected onset of the rainy season in December 1993/January 1994 and the resultant possible inflow of water into the reservoir, the works will have to be done within a very limited time frame. In addition and to mitigate the effect of early rains and the possible rise of the reservoir level, it is proposed that contractors be prepared to consider the pavement work to be done along horizontal lines, commencing at the water level. Time will be of the essence, and contract conditions will be prepared reflecting the importance of the timely completion thereof.

The works are to be jointly funded by the Government of the Republic of Namibia and the German Development Bank (Kreditanstalt für Wiederaufbau), and any Namibian or International Contractor or Joint Venture Organisation who meet the eligibility requirements will be permitted to tender.

The application for registration to receive the tender documents must include, on forms to be obtained for this purpose from either of the addresses below, a resume of the appropriate and related experience of the organisation's staff, plant and equipment resources and the technical and financial capability of carrying out such works. The completed documents must be delivered to the same addresses no later than 17:00 local time on August 2nd, 1993.

The Project Manager - Hardap Dam Rehabilitation Works
Laymeyer/VWL Joint Venture
at either:

PO Box 22800 Windhoek NAMIBIA Fax: 00264-61-3 35 95	or	Department RH4 PO Box 71 06 51 D-60496 Frankfurt (Main) GERMANY Fax: 0049-69-66 77 643

REPEAT INVITATION TO TENDER FOR THE HIGHEST BID
for the Purchase of the assets of "VOMVICRYL SOC.ANON. INDUSTRIELLE ET COMMERCIALE DES FIBRES ACRYLIQUES"
of Athens Greece

"ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities" of 1, Skouleniou Str., Athens Greece, in its capacity as Liquidator of "VOMVICRYL SOC.ANON. INDUSTRIELLE ET COMMERCIALE DES FIBRES ACRYLIQUES" a company having its registered office in Athens, Greece (the "Company"), which is presently under the status of special liquidation according to the provisions of article 46a of Law 1892/1990 (as supplemented by article 14 of Law 2000/1991),

announces a repeat call for tenders

for the highest bid by submission of sealed binding offers for the separate purchase by public auction (the Auction) of the following group of assets of the Company.

BRIEF INFORMATION:
The company was established in 1973 and was in operation until 1990 when it was declared under liquidation. Its activities included the production, and trading of every type of fibres and textiles. The company is not in operation, neither is any personnel being employed.

GROUP OF ASSETS OFFERED FOR SALE:
1. Plant in Avlaki Fthiotida (along Lamia-Volos National Road), consisting of buildings of 23,296 m^2, standing on a plot of 190,718 m^2 and containing machinery, mechanical equipment, furniture and other equipment. The company's registered name, etc. are also being offered for sale.

OFFERING MEMORANDUM - FURTHER INFORMATION:
Interested parties may obtain an Offering Memorandum in respect of the Company and the assets thereof and any further information, upon signing a confidentiality agreement.

TERMS AND CONDITIONS OF THE AUCTION

1. The Auction shall take place in accordance with the provisions of article 46a of Law 1892/1990, the terms and conditions set forth herein and the "Terms and Conditions of Sale" contained in the Offering Memorandum. Such provisions and other terms and conditions shall apply irrespective of whether they are mentioned herein or not. Submission of binding offers shall mean acceptance of such provisions and other terms and conditions. Submission of offers in favour of third parties to be appointed at a later stage shall be accepted under the condition that express mention is made in this respect upon the submission and that the offeror shall give a personal guarantee in favour of such third party.
2. **Binding Offers:** Interested parties are hereby invited to submit binding offers, not later than the 24th August 1993, at 11.00 a.m. hours, to the Athens Notary Public Mr Evangelos Drakopoulos, acting as substitute for the Athens Notary Public Mrs Anna Tsafara, at his office in Athens, 19 Voukourestiou Street, 2nd Floor, tel. +30-1-361.57.32., +30-1-362.11.28.
Offers should expressly state the offered price and the detailed terms of payment (in cash or in instalments, mentioning the number of instalments, the dates thereof and the proposed annual interest rate). In the event of not specifying a) the way of payment, or b) whether the instalments bear interest and c) the interest rate, then it shall be deemed that a) the offered price is payable immediately in cash, b) the instalments shall bear no interest and c) the interest rate shall be the legal rate in force (presently 31% yearly). Binding offers submitted later than the prescribed time limit, shall neither be accepted nor considered. The offers shall be binding until the adjudication.
3. **Letters of Guarantee:** Binding offers must be accompanied by Letters of Guarantee, issued, in accordance with the draft Letter of Guarantee contained in the respective Offering Memoranda, by a bank legally operating in Greece, to remain valid until the adjudication. The amount of the Letter of Guarantee must be drs. 350,000,000 (THREE HUNDRED AND FIFTY MILLION).
Letters of Guarantee shall be returned after the adjudication. In event of non-compliance with the provisions and other terms and conditions referred to in paragraph 1 hereof, the Letters of Guarantee shall be forfeited as a penalty.
4. **Submissions:** Binding offers together with the Letters of Guarantee shall be submitted in sealed envelopes. Submissions shall be made in person or through a duly authorised agent.
5. Envelopes containing the binding offers shall be unsealed by the above mentioned Notary Public in his office, on the 24th August 1993, at 13.00 hours. Any party having duly submitted a binding offer shall be entitled to attend and sign the deed attesting the unsealing of the binding offers.
6. As highest bidder shall be considered the participant, whose offer will be judged, by 51% of the Company's creditors (the "Creditors"), in their absolute discretion, upon suggestion of the liquidator, to be in the best interests of all of the creditors of the Company. Mention is made that for the purposes of evaluating an offer proposed to be paid in instalments, the present value thereof shall be taken into account, which shall be calculated on the basis of a discount interest at an annual rate of 22% compounded yearly.
7. The liquidator shall give written notice to the highest bidder to appear on the date and place mentioned therein and execute the contract of sale in accordance with the terms contained in his binding offer and/or any other improved terms, which may be suggested by the Creditors and agreed upon. Adjudication shall be deemed to take effect upon execution of the contract of sale.
8. All costs and expenses of any nature in respect of the participation and the transfer of the assets offered hereby for sale shall be exclusively borne by the participants and the purchaser respectively.
9. The liquidator and the Creditors shall have no liability nor obligation whatsoever towards the participants in relation to the evaluation of the offers or the appointment of the highest bidder or any decision to repeat or cancel the Auction or any decision whatsoever in connection with the proceedings of the Auction. The liquidator and the notary shall have no liability for any legal or actual defects of the assets. Submission of binding offers shall not create any right, power or claim from this invitation and/or their participation in the Auction against the liquidator and/or the Creditors for any reason whatsoever.
10. This invitation has been drafted in Greek and translated in English. In any event the Greek version shall prevail.

To obtain the Offering Memorandum and for any further information please apply to the Liquidator of the Company: "ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities", address: 1, Skouleniou Street, 105 61 Athens Greece, tel.: +30-1-323.14.84, fax:+30-1-321.79.05 (attention Mrs. Marika Frangaki).

TECHNOLOGY

Paul Abrahams looks at advances in the treatment of rheumatoid arthritis, in a series on drug discoveries

Ways to break a vicious circle

CREAKING joints and early morning stiffness have traditionally been seen as a normal part of the ageing process. The condition is often painfully crippling but difficult to avoid. However, another form of arthritis, known as rheumatoid arthritis, is more insidious. The disease, which afflicts one in 100 people, can strike at any age and torments women twice as often as men. Its onset is normally in the 20s and 30s, although children can be also affected.

The condition is both debilitating and life-threatening. Recent studies suggest that not only quality of life is impaired, as sufferers struggle to live normal lives with increasingly crippled joints, but life-expectancy is reduced by an average of six years.

Scientists are still trying to find the cause. They are confident, however, that there is a genetic component which predisposes people to the illness. A particular sequence of genes is found in about 80 per cent of patients with rheumatoid arthritis, explains Bruce Littman, director of clinical medicine at the central research facility of Pfizer, the US drugs group.

This genetic sequence appears to be insufficient to cause rheumatoid arthritis on its own. There are probably also environmental factors, which may be linked to a single bacteria or virus, or a combination of organisms, says Littman.

The exact effect of the organisms and the genetic predisposition remain unclear. However, the result is that they trigger an inappropriate response from the body's immune system to the joints' tissues.

'There's no point in creating new drugs that are developed on the old lines'

One theory is that the external organism may cause alterations to the cells in the joint, which are then viewed by the immune system as foreign material, says Beat von Graffenried, project leader for immunology at the research and development department at Sandoz of Switzerland. Once the immune system has identified the cells as foreign material, the system erroneously views them as an attack, and launches a counter-offensive.

During a normal infection, the immune system identifies an antigen or foreign body and reacts by generating cytokines. These help activate the immune system and trigger the production of chemicals that create inflammation. This gives the body's defences access to the infectious material.

Normally, once the infection has been defeated the system shuts down. However, in rheumatoid arthritis, for reasons that remain obscure, this fails to occur. The result is that "the immune system goes wild and just won't stop attacking the joint," says Littman.

A vicious circle is created. The body continues to manufacture the cytokines, which prove highly toxic to the joint's cells, destroying their structure. As the cells disintegrate, the immune system identifies the newly-damaged cells as foreign bodies, and reacts by renewing the attack.

One of the main targets for the renegade immune system is the joint lining, which becomes inflamed and swollen. In addition, the fluid that lubricates the joint made by the lining accumulates, adding to the swelling and the pain.

Traditionally, the first-line therapy for rheumatoid arthritis is a class of medicines called non-steroidal anti-inflammatory drugs, or Nsaids. Datamonitor, the London-based market research company, estimates that in 1991 these drugs generated sales of $4.3bn (£2.9bn).

The market for Nsaids is static because of the recent expiry of the US patents of one of the most successful Nsaids, a drug called Feldene, manufactured by Pfizer. Those for the best-selling product in the US, a treatment from Syntex of California called Naprosyn, expire in December. The world's top-selling Nsaid is Voltaren, marketed by Ciba of Switzerland, which generated sales last year of SFr1.63bn (£700m) in 1992.

Nsaids are from the same class of drugs as aspirin. They work by inhibiting the production of cyclo-oxygenase, an enzyme that helps in the production of prostaglandins which increase blood flow and cause inflammation.

Unfortunately, although Nsaids reduce the symptoms of both inflammation and pain, they have no impact on the production of cytokines and do nothing to reduce the self-destruction process. They also have severe gastro-intestinal side-effects and can cause stomach ulcers in prolonged use.

Traditionally, when Nsaids are no longer enough to contain the disease, physicians turn to second-line therapies. These include treatments such as gold, D-penicillamine and sulphur celamite.

Among the gold treatments is Ridaura, developed by SmithKline Beecham, the Anglo-American healthcare group. The company has proven Ridaura's effectiveness, but it is still unsure how it actually works. Some patients react badly to gold treatment. However, since most of these drugs are no longer protected by patents, little is being invested in developing them further.

The final line of defence has normally been disease-modifying anti-rheumatic drugs (Dmards). These include Pfizer's recently-launched Tenidap, Sandimmune from Sandoz, and Rheumatrex, a treatment developed by American Cyanamid's drugs division, Lederle. Tenidap works in two ways, according to Littman at Pfizer. First, like the Nsaids, it controls the production of cyclo-oxygenase. Second, it affects the production of several cytokines.

Sandimmune is an immunosuppressant, originally developed to prevent the rejection of organs after transplants. It works by blocking the secretion of chemicals which are responsible for activating the immune system. For rheumatoid arthritis patients, it is used at low doses, although there is concern that it could suppress the immune system to the extent that patients develop opportunistic infections or even cancer. There is presently no evidence to support such fears.

Lederle's Rheumatrex is actually an anti-cancer drug. It suppresses the production of white blood cells responsible for the immune response.

However, the traditional progression of therapy from Nsaids to secondary therapies and finally Dmards is now being challenged. Drug groups such as Sandoz and Pfizer now maintain that Dmards should be used early in therapy in an effort to control the disease's progression.

"Sandimmune may be far more effective if taken at the start of the disease than later on when damage is already considerable," says von Graffenried. Sandoz is presently conducting trials to determine if this is the case.

The key to early treatment is identifying the disease early. Many patients fail to go to their doctor until the disease is well-developed. However, specialists now believe it should be possible to monitor patients with a family history of the disease by measuring chemicals called acute phase proteins, which are an indicator of excessive cytokine activity.

Drug groups are developing a number of leads for the next generation of treatments. "There's no point creating new drugs developed on the old lines. There are enough Nsaids around. We must keep looking at compounds that influence the development of the disease," says von Graffenried.

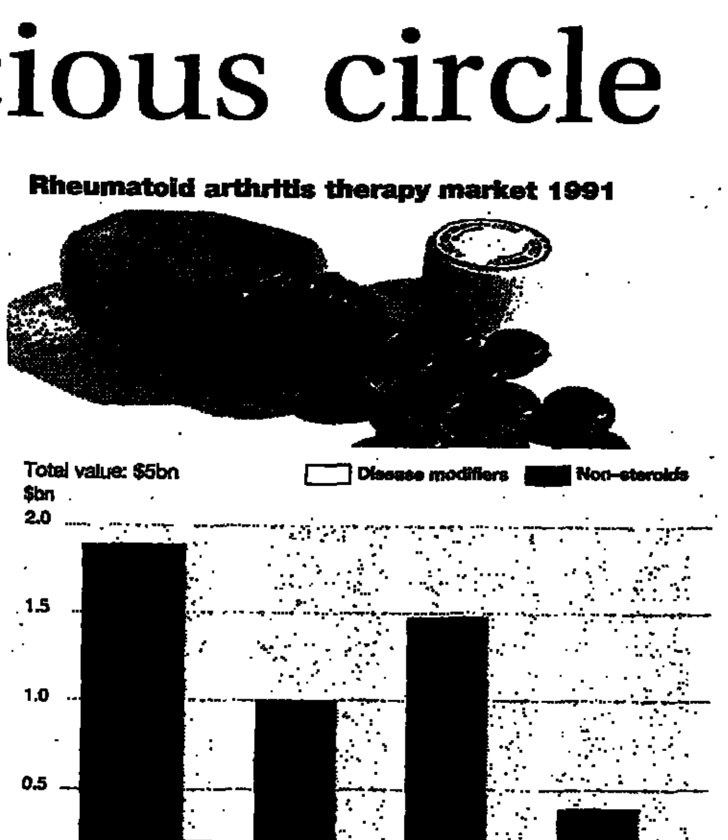
Centocor, the US biotechnology group, is developing a treatment using monoclonal antibodies, which would inhibit the functioning of certain parts of the immune system. A number of companies are also developing drugs that will work against a peptide called substance P, that helps the action of cytokines. Celltech, a small British biotechnology group, is looking at ways of inhibiting the action of one particular cytokine, known as Tumour Necrosis Factor Alpha.

Another approach, according to von Graffenried, is to identify the virus or bacteria that causes the original problem and then find a way of preventing it triggering the cycle of self-destruction. "That's the dream, but it won't be easy," he says.

Others are trying to find a way of treating people with the genetic predisposition to develop rheumatoid arthritis. Von Graffenried says: "The biggest dream is genetic therapy. There's clearly a strong genetic link. We need to find the gene that makes people susceptible to the disease and then see if we can rectify it. I have some reservations about the practicality of developing such a therapy, but conceptually it's attractive."

The series continues next month by looking at the latest advances in epilepsy treatment.

Rheumatoid arthritis therapy market 1991



Source: Lehman Brothers estimates

Making friends with Big Blue

Alan Cane advises how to get the best out of an IBM partnership

International Business Machines today depends on a diversity of "business partners", small and entrepreneurial companies which provide the giant manufacturer with specialised products and services. There are already more than 20,000 of them and the total is growing daily. If they withdrew their co-operation simultaneously, Big Blue's $60bn (£40bn) plus global revenues would fall by at least 40 per cent.

Despite IBM's troubles – it has not made a profit for the past two years, during which time a fifth of the workforce has left the organisation – it is still a magnet for smaller companies anxious to sell to its customers and benefit from its marketing muscle.

Partnering IBM in the mid-1990s* was written for these companies. Its author, Michael Hillier, is optimistic that IBM will come through its present troubles and its business partners will benefit from its recovery.

"IBM is still a very large and complex organisation with massive financial and intellectual assets. It is still a dynamic corporate giant and should not be underestimated," he writes.

The problem for would-be IBM partners, as he sees it, is to get the best out of a decidedly testing relationship without being suffocated by Big Blue.

Not all partnerships with IBM are successful. A broad agreement with the troubled Wang Laboratories failed after the smaller company apparently failed to meet sales targets set by IBM. "How can you try to ensure that your partnership with IBM is not to be in the 'unsuccessful' percentage," Hillier writes. "The key for most IBM business partners will be to identify and understand IBM expectations of them and to identify and manage the risks attached to these expectations."

It helps to understand IBM's strategy for the future. The company is shifting focus from hardware to software and services. It will need partners to help it focus its efforts in markets which may be unfamiliar. A restraining force may be that IBM will want sole ownership of some areas – consultancy is a prime example – which in the past it would have been prepared to share.

How should a potential partner optimise this strategy for its own benefit? "Ensure IBM understands your product offering and agrees that it meets or adds value to a known IBM requirement," Hillier suggests. He does not underestimate the difficulty of dealing with a company as large as IBM. Partnerships can fail even after a seemingly satisfactory agreement has been signed. The reasons are that in the end the potential partner is dealing with people rather than a corporation.

There may be a failure of communication; IBM's culture has produced a set of internal manners, language and jargon which can be hard to understand. Discussions may be "coded" because IBM has been used to negotiating only with itself.

A second problem may be IBM's downsizing. Some 43,000 employees left the company in 1992 and there is no suggestion the exodus is at an end. Hillier warns: "Ask yourself if the IBM employee or executive with whom you are negotiating will be there next week?" Equally, an IBM employee in a new job may lack the confidence and experience to take full responsibility for the negotiations.

Finally, there may be a lack of trust between the potential partners. Culture clash or misunderstanding? It is important to find out quickly; IBM managers fight their corners hard but give full support once a decision is made.

The advantages of becoming an IBM partner outweigh the risks, Hillier concludes. "IBM will still be present in some form in the foreseeable future . . . it will almost certainly continue to be increasingly dependent on its partners to bring in a larger percentage of its business. This dependence should continue for as far as the eye can see".

**Partnering IBM in the mid-1990s, Haye Services, Sherborne St John, RG24 9HP. £690.*

BUSINESS AND THE LAW

Banana move dismissed

EUROPEAN COURT

The European Court recently dismissed an application by the German government for interim suspension of the European Council's new regulation on the common organisation of the Community banana market (see FT, July 6 1993).

Germany brought the interim measures application in the context of its application for judicial review of the new rules governing trade in bananas with non-Community countries. The main case challenging the banana regulation continues on its way through the Court.

In parallel to the German case, banana companies – including Chiquita, Dole and Pacific Fruit, as well as banana importers, such as Anton Durbeck Gmbh and International Fruchtimport Gesellschaft Weichert & Co – brought applications for judicial review of the banana regulation and for interim measures.

Some also claimed damages against the Community, represented by the Council and Commission, for losses they say they will suffer under the new banana regime.

The banana regulation imposes a tariff-quota of 2m tonnes for bananas from non-traditional African, Caribbean and Pacific (ACP) countries and third countries. These are distinguished from ACP bananas traditionally given preferential treatment under the Lome Conventions in France, Italy and the UK and which have duty- and quota-free access to the Community. Bananas given preferential treatment under Lome Conventions are mainly dollar-area bananas grown in central and south America. Within the quota, both categories are liable to a duty of Ecu100 (£75) per tonne. Outside the quota, bananas from the non-traditional ACP are subject to a duty of Ecu750 and those imported from other third countries Ecu850.

The regulation also allocates the tariff-quota among commercial operators. From July 1 1993, the regulation restricts 30 per cent of the quota to operators that have traded in Community and/or traditional ACP bananas which are not themselves subject to any quota.

This leaves only 66.5 per cent of the quota to operators which have traded in non-traditional ACP and/or third country bananas. Only 3.5 per cent remains available to operators which entered the market as new entrants since 1992.

The ECJ decided on its own initiative to consider whether the private companies had standing to seek judicial review.

In a number of orders recently made publicly available, the Court dismissed all applications for judicial review on the grounds that the private companies could not show that they had sufficient standing, since they were not individually concerned by the regulation which was a legislative act of general application. They were affected only as members of the general class of economic operators to which the regulation applied.

The applicants, therefore, failed to show that their legal interests were affected in a way that distinguished them from others individually as if the regulation had been addressed to them.

On July 6, the Court president dismissed all interim applications by the banana companies on the grounds that the interim measures were linked to the main judicial review proceedings, which were inadmissible.

The ECJ said that the question of the standing of the private companies claiming damages was unaffected by the inadmissibility of the judicial review proceedings. It confirmed previous decisions that damages claims are separate and independent actions.

Consequently, the damages cases brought by certain companies claiming compensation for the damage caused by the adoption of the banana regulation will continue on their way through the Court just as the judicial review proceedings brought by Germany.

C-256/93, Pacific Fruit Company NV; C-257/93, Leon Van Parijs et al; C-262/93, Anton Durbeck; C-276/93, Chiquita et al; C-282/93, Comafrica et al; C-283/93, Pacific Fruit Company Italy; and C-286/93 Atlanta et al, C-287/93, Simba SpA, C-288/93, COMACO srl, Orders of the ECJ and the president of the Court, June 21 and July 6 1993.

BRICK COURT CHAMBERS, BRUSSELS

Sweet sound of harmony

Unifying business law is no simple matter, writes A H Hermann

National legislators seldom keep pace with the development of international business. When they do attempt to address the subject, they often make things worse by drafting the legislation from a purely domestic view.

Fortunately, a large number of international organisations have made it their task to harmonise different systems of national business law and to provide national legislators with guidelines and models for new legislation.

It can take decades before government experts agree a legal text and when they do, businesses can wait many more years for ratification. Some organisations try to bypass this bottleneck by drafting standard terms and guidelines which businessmen can incorporate in their contracts.

However, the number of international organisations generating harmonisation, unification or new law projects has mushroomed. Excluding the European Community, which legislates for the benefit of its member countries, this new legal industry now consists of no less than 28 organisations, some of them highly specialised.

The United Nations alone has 12 different agencies in the legislative business. The most prolific of these are Unctad (trade and development), Uncitral(trade law) and Wipo (intellectual property), while Gatt (tariffs and trade) is the best known.

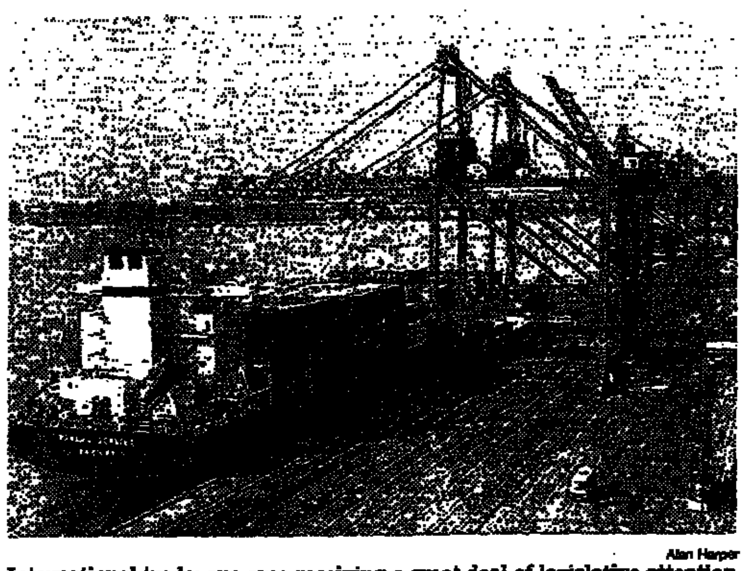
There are eight other inter-governmental organisations. The oldest and most productive is the Rome-based Unidroit, founded in Rome in the 1930s for the international unification of laws, while the most productive is the Paris-based Organisation for Economic Co-operation and Development (OECD).

A recent addition is the European Bank for Reconstruction and Development (EBRD). Although it has not provided the post-communist countries with much money, it is about to let them have a model law on secured transactions.

Finally, there are eight non-governmental international organisations. Half of these specialise in transport law: CIT (railways), CMI (marine), IRU (road) and Fiata, which is a federation of freight forwarders.

Of the remaining four, the Paris-based International Chamber of Commerce (ICC) has done useful work on abbreviated contract terms, standard terms for several types of banking operations, and arbitration.

A survey of the current activities of these organisations, produced by Uncitral on July 1, lists no fewer than 112 projects related to the harmonisation and unification of international trade law. A sampling of this mountain of paper shows that there are great variations in its quality, usefulness and impact.



Alan Harper

International trade: one area receiving a great deal of legislative attention

Work in the field of international transport law has had a great impact on business, notably in limiting the liability of carriers for damage or loss of goods. Unfortunately, the law is also rather difficult to understand, and national courts (of the maritime nations in particular) are often faced with difficult problems of interpretation.

The most successful, perhaps, is the ICC work on Incoterms, the widely-used abbreviated contract terms system, while its standard terms for letters of credit have been adopted by most banks engaged in international business.

Uncitral's work on arbitration rules and model law has profoundly influenced arbitration worldwide, particularly the English and Scottish jurisdictions and the Commonwealth. Mr Gerald Herrmann, who steered these projects with unique enthusiasm, has been since promoted to Secretary General of Uncitral.

By contrast, the other great product of Uncitral, the 1980 UN Convention on International Contracts for the Sale of Goods (the Vienna Convention), is only the smallest common denominator of the often conflicting interests of the countries which for 15 years participated in its drafting.

Its ratification by the UK has been opposed by the English legal profession for a variety of reasons, one of which is the unjustified fear that it could open the door to continental lawyers.

More valid objections to the convention are the absence of provisions on when the title to the sold goods should pass from the seller to the buyer, and its preference for enforcing specific performance rather than compensating a breach of contract by damages.

In spite of the fact that the UK has not yet ratified the Vienna Convention, UK traders may fall into these pitfalls whenever the contract is governed by the law of a country which has ratified it, as most of its trading partners have done.

Two ICC projects may help a little. One is concerned with updating the ICC Guide on the Retention of Title, the other with the drafting of a model contract which would fit the Vienna Convention.

The ICC published in 1991 a Model Commercial Agency Contract and is about to publish a Model Distribution Agreement. The amount of duplication and triplication that exists in this field is illustrated by the existence – in addition to an EEC directive – of an 1983 (Geneva) Convention and many valuable studies on commercial agency undertaken, and now suspended, by Unidroit.

Another Uncitral product, the soon to be published Legal Guide on International Countertrade Transactions, is a valuable study of problems arising in different types of barter and buy-back deals, but could be much improved by bringing these problems in relation to specific national laws.

By providing a readily available model, the EEC harmonisation measures exercise a powerful influence on the international unification of law, sometimes infecting it with integrationist tendencies which are far ahead of the political readiness to accept them.

Such seems to be the case of the Uncitral Draft Model Law on Procurement. Its Article 3 provides for equal opportunity and equal treatment of foreign participants in public tenders. This desirable objective is not yet acceptable to many countries where preference for domestic suppliers is well established by practice and legislation.

A model law, though it must not be too much ahead of what is politically possible, will be widely used only if it represents an advance on the legislation already in place.

The Uncitral Draft Model Law on Procurement seems to follow the outmoded method of prescribing procedure instead of clearly stating economic aims. It has been criticised, by Australia for example, for its resulting lack of flexibility and for a narrow emphasis on price, instead of value for money, as the main criterion for evaluation of offers.

Although it deals with social security obligations, the draft is silent on environmental conditions, health and safety, wages and working conditions. A further weakness is that its provisions for administrative and judicial review of awards have been rejected by Japan, probably because judicial review there might easily take 10 years.

One should not draw too many general conclusions from a small sample of work which, even if not perfect, results from devoted efforts of many well-informed lawyers and is indispensable for the development of international trade law; except, perhaps, that there is a need for unification of the unification process and for a greater support of private efforts, which can bring quicker and better results than negotiations between governments.

Dr Hermann is the D J Freeman Senior Research Fellow in International Trade Law at the Queen Mary and Westfield College, University of London, and Editor of the FT Business Law Brief

LEGAL BRIEFS

Judicial scheme to offer private appraisal

The UK's Centre for Dispute Resolution, an industry-backed non-profit making organisation set up in 1990 to promote alternative dispute resolution (ADR), has launched a judicial appraisal scheme which will offer businesses a new private judging service. The scheme offers a "fast track" method by which potential litigants can seek an independent assessment of their case from senior lawyers drawn from a panel of experienced barristers and former High Court judges. Parties can then choose to negotiate a settlement or opt for mediation. Users of the scheme can agree to treat the assessment as binding. Alternatively, they can use it as a means of narrowing down the issues for future trial. The costs of using the scheme will range from £750 a day, depending on the value of the claim. Similar techniques have been used in the US under names such as Rent-A-Judge or Judicial Arbitration & Mediation Services, which fields 200 former US judges.

Supreme Court

The US Supreme Court has failed to clarify when punitive damages awards are excessive. A divided court recently upheld by 6 votes to 3, the constitutionality of a $10m punitive damages award made by a West Virginia court that was more than 500 times greater than the $19,000 compensatory damages it awarded to TXO Production Corp, a subsidiary of the US steel, oil and gas giant USX Corp, for slander of title in a dispute over rights to oil and gas beneath a tract of land. The court reiterated its reasoning in a 1991 case that punitive damages must be reasonable within the context of the case, but failed to spell out what would be regarded as unreasonable.

PEOPLE

UK Tec adviser returns to US

The wheel has come full circle. Cay Stratton, who brought her US experience in training and community regeneration to the UK nearly six years ago, and who has been one of the lead architects of radical changes in the delivery of training in the UK, is returning to the US to advise President Clinton's administration on the same issues.

Stratton, who has been policy adviser to three successive secretaries of state for employment in the UK, takes up her new post, as senior policy adviser to Douglas Ross, assistant secretary at the Department of Labor, in September.

A graduate of Stamford University, she has spent her career in the fields of education, training and community economic development. It is a role to which one of her employers says she has brought "bags of go, a great deal of authority and a remarkable ability to bridge the very different worlds of the private and public sectors".

In the late 1980s Stratton was chief executive of the Boston Pic. Private Industry Councils are employer-led organisations which involve the private sector in education and training. Norman Fowler, the then employment secretary, met her on a an educational visit to learn about Pics and US vocational training and in 1987 she accepted a one-year post as his special adviser. She has stayed nearly six, also advising his successors, Michael Howard and Gillian Shephard.

Stratton was part of a small team, headed by Sir Geoffrey Holland, the department's former permanent secretary, which laid the foundations for the government's current policies on training.

These include Training and Enterprise Councils. Stratton was keen that Tecs should learn from Pics' experience - notably by insisting that Tecs' directors were senior executives with high local profiles. In the US the seniority of directors on Pics' boards was allowed to fall; Pics' clout locally also fell.

Stratton, who regularly works a 70-hour week, should also be credited with arguing that enterprise activities should be bound closely into Tecs. One former senior DoE official says: "I doubt we would have had the same emphasis on enterprise within Tecs without Cay."

Nor has she been an easy taskmaster. The official adds: "She has banged away at the performance of Tecs in a way that has been uncomfortable for some of them."

Bodies politic

■ Nicholas Finney, chairman and md of The Waterfront Partnership, director of the British Ports Federation from 1983 to 1990, of the National Association of Port Employees from 1981 to 1989 and a member of the Economic Research Council, and Lynda Rouse, director of corporate finance at Barclays de Zoete Wedd, an adviser to Nigel Lawson during 1983, and a lecturer in materials for energy applications in Baghdad for two years in the late 1970s, have been appointed reserve members of the MONOPOLIES & MERGERS COMMISSION.

Tony Nieduszynski, head of the aerospace division in the DTI and former head of the radiocommunications division, has been appointed secretary to the MMC. He takes up the post in October when Stephen Burbridge retires.

■ John Watt has succeeded David Houseman as chairman of the The ASSOCIATION OF CONSULTING SCIENTISTS.

Nigel Lester: global role at UBS

Nigel Lester, who resigned as chief executive of County NatWest Investment Management (CNIM) earlier this year, is joining UBS as global head of research next month.

UBS's research operation has been through a rough patch, with the firing of Terry Smith, former head of UK equity research, last autumn, and a steady stream of defections.

Nick Bannister, managing director and head of equity sales, says that it is appropriate that someone from the fund management side be brought aboard to further "the determined effort to see our research product from our clients' point of view". UBS slipped to sixth from fourth position in this year's Extel rankings of City research departments.

Lester, 40, steps into a new position, combining responsibility for improving equity research in London, Zurich, Paris and Frankfurt with a broader role of co-ordinating the Swiss group's equity and bond research on a worldwide basis. Hector Sants, vice chairman and head of equities, had been filling in as head of research since last autumn.

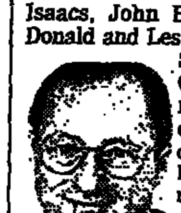
A qualified actuary, Lester started out in the actuarial department of Legal & General, and "got into fund management as quickly as possible". He then spent seven years in Hong Kong, first with Schroders, later setting up Aetna's operations in the Far East. He went back to the US insurance giant's headquarters for a year, but returned to London after a year because he found Connecticut "a little boring".

He says he had already more or less decided to leave CNIM, which has lost a lot of people on the fund management side, before Christmas. "I normally like working 12-hour days, but the fun had gone out of it," he says. Asked whether he was not a little intimidated by some of the big egos already well established at UBS who would now be reporting to him, he replied: "I got some good experience at County."

Granada shift

David Liddiment, director of programmes at Granada Television, is leaving to be the new head of entertainment at the BBC. Liddiment, who was particularly associated with comedies such as Rik Mayall Presents, will be one of five programme department heads under Will Wyatt, managing director of BBC Network Television.

Granada has a tradition of developing television, according to Charles Allen, chief executive of Granada Television: "The Granada alumni roll-call includes Jeremy Isaacs, John Birt, Gus MacDonald and Leslie Woodhead."



Steve Morrison (left), currently managing director broadcasting, has been appointed managing director of Granada Television, reporting to Allen. The move is intended to leave Allen free of day-to-day management and thus able to devote more time to strategic issues.

'Guru' splits role

Shandwick, the international public relations company, has announced that Peter Gummer is splitting the role of chairman and chief executive with effect from next April's agm; with Dermot McNulty, chief operating officer, stepping up into the chief executive's seat.

McNulty, 44, spent 15 years with Burson-Marsteller before joining Shandwick in New York in 1989. He moved to the UK the following year, initially as director of international marketing.

He says the move means he will be "responsible for a great number of important but routine things, leaving Gummer, who is accorded 'guru status' in worldwide public relations circles", more time for marketing and business development.

Meanwhile, 62-year-old Len Kingshott is joining the board as a non-executive director. He stepped down from his position as deputy chief executive of Lloyds Bank International in 1989; since then he has held a number of positions, including the chairmanship of Rosehaugh, the property group now in receivership. Kingshott had also been lined up to head the European end of BCCI under a planned reconstruction of the group shortly before the Bank of England moved in to shut down the entire operation.

Opera / **Max Loppert**

Bayreuth's new Tristan and Isolde inspire optimism

Opening performance at the Bayreuth Festival is still, it seems, the high point on the German cultural calendar. Eminent visitors are on show: this year Wolfgang Wagner had as his applause-attracting guests Mikhail and Raisa Gorbachev; Richard von Weizsäcker, the German president, was visible in the *primo palco* (so was Douglas Hurd). Crowds were out in force. Protesters, a bit rain-drenched, were also in attendance, waving banners questioning expenditure on "star" opera at a time of belt-tightening for the arts throughout Germany.

In this *Ring*-less year – a new one is due in 1994, conducted by James Levine – the dominant question inside the theatre before curtain-up was a purely artistic one, cause among Wagnerians of long months of anticipatory excitement: would there be revealed to the world important new singers of Tristan and Isolde?

Almost everything, in fact, was new about this *Tristan*, apart from the conductor, Daniel Barenboim (he had been in charge of the previous Bayreuth production, from 1981 onwards). The controversial former-East-German playwright Heiner Müller was undertaking his first opera production. Erich Wonder, an avant-garde designer much prized elsewhere in Germany, was tackling his first Bayreuth assignment. The Marke, Kurwenal and Brangäne were all new – either to the house or to the opera.

But it was the Tristan, Siegfried Jerusalem, and Isolde, Waltraud Meier – native-born Germans both – on whom brightest beams of attention were trained. Performers of these mightiest of Wagnerian roles capable of surmounting the peaks and staying the whole course were always in short supply, even when, unlike today, the finest traditions of Wagner-singing were as a whole amply nourished and sustained. At least Jerusalem, now in the mature phase of his career, has approached the opera in careful stages, via his Bayreuth-germinated Siegmund, Parsifal, Walther and Siegfried: and, if light by traditional Heldentenor measurements, he has mastered the art of Wagner pacing.

For Meier the risk was greater, the result even more more lambently affecting and elating to contemplate. She is still young (late '30s), slimly handsome, and in voice-type a dramatic mezzo-soprano – a Kundry nonpareil, Eboli, Delilah. In the history of this opera more than one leading mezzo has been tempted to "think herself upwards" into Isolde (Marta Mödl and Irene Dalis come to mind); more often than not, though, strain has shown through, and a long-term price has had to be paid.

Meier's first Isolde inspires optimism. In this theatre – voice-flattering, of course, with its covered orchestra and focused acoustics – she could base it on the most appealing of her artistic characteristics, the floating across the orchestra of exquisite, legato-based long lines, with notes precisely sounded and smoothly joined in the classic manner. The voice, with its highly individual timbre (metal-tipped, liquidly vibrant), sounded not just beautiful but aptly in character, capable by turns of imperious flourishes, anger-heated surges, soft romantic raptures.

> 'No Isolde of recent times has bitten into the first exchanges with Tristan with such tellingly bated sarcasm'

No Isolde of recent times has bitten into the first exchanges with Tristan with such tellingly bated sarcasm, made such continuous sense of Wagner's internal rhyme-schemes – it sounded as though she had lived long with the character and inside the text before presenting both to the public. Those famous top notes were all there: not exactly trumpeted, not radiant with Anne Evans's lighter, easier grace, but never evaded and almost never forced. I hope Meier will resist calls to make the role her international calling-card; she needs to continue work on it, patiently and gradually.

To be introduced in a short space to two Isoldes – Meier and Evans – of this calibre makes this something of a Wagnerian *annus mirabilis*. Jerusalem's achievement seems more qualified. Much of the lower-voiced, middle-range utterance in Act 3 was wonderfully full, rich-grained, with a musicianly nobility unparalleled in recent times. *In extremis*, as it were, he tended to produce volume and notes rather than musical and dramatic sense; now that he has proved his ability in the first department, the second needs to recapture all his attention.

A conductor capable of steadier overall command of Wagner's long paragraphs would undoubtedly have aided him in the process. Barenboim responds strongly to the beauty of the sound-world – the dullness of his 1981 *Tristan* is now a distant memory – but still insufficiently to formal architecture: his extremes of fast and slow tempo seemed to me ungoverned by the opera's internal logic.

The other notable stroke of casting was the powerful sensitive young baritone Falk Struckmann as Kurwenal; John Tomlinson's Marke was unsteady, too insistent in its expressive detailing, Uta Priew's Brangäne sympathetic but hardly exceptional.

Müller's production, an all-of-a-piece feat of cool, minimalist staging, was at once abstractly interesting, emotionally distancing (sparing movements, everything behind gauze), and centrally un-romantic. Wonder's designs achieved fine Rothko-like patterns and plays of light on curious but always fastidiously chosen stage properties (the love duet played out amid serried rows of headless, armless tailor's dummies).

I found it somewhat like a visit to an exhibition of *Tristan*-related modern artefacts in a classy German art gallery. Not an unserious experience – the audience booed it violently – and not a waste of time; but I could not help feeling the occasion, and particularly the new singers, demanded something far more engaged.

Performances until August 28.

Theatre

What's in a name?

If a family is called Jinx, I suppose you should expect misfortunes. And if the play is called *The Devil's Only Sleeping*, it is likely that they will not be entirely man-made. Nick Stafford's piece at the Cockpit contains almost everything that a rational person will dislike: transvestism, violence, a heavy touch of the supernatural and an overriding note of obscurity. At times it seems like a mixture of "The Archers" and Thomas Hardy, though it appears to be set on a small farm in Scotland. Do not be put off by the background, however: this is a tersely written play. The main reservation is whether it belongs more properly to television.

There has been a killing in the Jinx family nearly 20 years ago. Barton Jinx, who was convicted of the crime, emerges from prison to visit Myra, wife of his twin brother. It was her father who was killed. The husband is also dead, and buried above the farmstead. There remains a son, Billy, whose fatherhood is in doubt. Barton begins to settle down alongside Myra in place of his brother.

What happens in the play is not always clear, nor is it meant to be. An old Mini is parked on stage throughout. It was driven through Dead Man's Wood at 60 mph on the night that the killing occurred. It is driven through the same wood now – at 63 mph – by Billy and his girl-friend, Alex. None of the relationships are normal. Billy gets on well enough with Alex, but is happiest when dressed as a woman. Alex seems to come from a more conventional background, but suggests that even her family is under stress, if not quite jinxed. It is when the surrogate father starts beating Billy for his transvestism that the Jinx environment falls apart.

It sounds bizarre, but is compelling. Of the cast of four, Sheridan MacDonald excels as Myra, the woman who always wears trousers, and Billy McColl as Barton looks as is he is literally carrying the jinx on his shoulders. Jon Morrison directs with the tightest control. The Cockpit, the new home of the Soho Theatre Company, looks as if it has already made its mark on the London fringe.

Cockpit Theatre, NW 8, until August 14. 071-402 5081

Malcolm Rutherford

Art in Switzerland / **Patricia Morison**

Balthus: the shock of the old

Old people are not expected to shock, except by the sobering spectacle of their own decay. As for an old, world-famous artist, he or she is almost by definition one who no longer shocks the public. After two generations, the public feels it knows that artist's work. And yet, our idea of the artist's work will inevitably be largely ersatz, formed by the publishing industry's choice of images for coffee-table books, posters, art calendars and postcards.

"Nu au foulard", a typical Balthus blend of youth and innocent sexuality

Certain artists' work more easily becomes ersatz than others. Lowry is one, Balthus is another. Balthus is now 85 and his paintings (at least, the most "Balthusian" of them) have for decades been among the most recognisable of any artist still living. As for the real thing, however, it is not easily seen; Balthus is still owned largely by private collectors and not by museums. How odd, even perverse, then, that the Musée des Beaux-Arts in Lausanne, Switzerland, has made so little fuss about *Balthus*, the first major retrospective since the Paris/New York shows of 1983-4.

The Lausanne museum is honouring Balthus, who has lived in the canton of Vaud for the past 15 years. Originally, the exhibition was to have focused on paintings associated with Switzerland, where the artist spent his childhood and adolescence and the war years from 1940. But Balthus himself was enthused by the idea, collectors responded generously, and the result is a major exhibition which moreover looks marvellous. More than 50 paintings, 30 drawings and watercolours are spaciously hung in the lofty white galleries.

They include a good number of the painter's best-known paintings from the 1930s to 1950s; "The Street", "Le Passage du Commerce Saint-André", "The Children", "Thérèse", and "Les Beaux Jours". As well as the figure paintings, there are a fascinating group of the landscapes which are the less well-known side of Balthus's work.

"The Mountain" (1937) is an extraordinarily declamatory and even crude painting of a party of young walkers revelling in the panoramic grandeur of the Alps. They respond with exhilaration to the azure sky, the dizzy views. But there is also seduction in the heat. One of the two girls is still fast asleep on the velvet turf, wrapped in a personal solitude which is typically Balthus.

After the war, landscapes in France and more recently Italy have become places of timeless enchantment. Tiny figures endowed with the poise of Gicaometti sculptures herd their cows or call in a white horse from the orchard. They are lost in a pastoral world of Virgilian perfection. In his youth, Balthus famously copied the frescoes of Piero della Francesco and Masacio. His landscapes have the quality of missing fragments from the background of a fresco.

The warders are on the alert to keep visitors far enough away from Balthus's surfaces. Already in "La Victime" of 1937, the paint is thick, mottled, clotted. The technique of putting layer upon layer of pigment means that from close up, "Large landscape with Cows" painted at the Château de Chassy in 1959 is almost like paint cohering to a pile rug. The image floats on the surface. No reproduction of Balthus's work ever begins to convey this extraordinary texture.

If the texture of the real thing is a surprise, so too may be the sombreness of Balthus's palette, especially in the early years. Reproductions tend to make his work look lighter. Here, the catalogue (not a complete one, by the way, costing SFr50) is badly at fault. Balthus's colours have become brighter over the decades, as his famous nudes have become more decorative and the atmosphere less menacing.

"Young Girl with a Blue Towel" (1958) is an enchantingly pretty painting of a stocky girl in a bathroom. She is delectably pink and almost herself seems to radiate light in the brilliance of a summer morning. So far I have described some of the surprises you may find in the retrospective. What of the shock of Balthus?

The most recent work in the show, "Cat and Mirror III", was finished this summer and is exhibited for the first time. This golden-haired girl on a couch has an anatomy which is stranger even than the oddest Balthus figures – which is saying quite a lot. However, far from being nude like most of her predecessors, she is fully clad and even rather fashionable, in her luminous lilac leggings. The couch on which she lies, observed by a tabby cat, is loaded like a boat with gaudy patterned fabrics.

Were this the only painting by Balthus of a young girl which one had ever seen, it would be quite mystifying as to why Balthus still has an exotic and even evil reputation. And yet, it is almost exactly 60 years ago that he achieved lasting notoriety with his first exhibition in the Galerie Pierre in Paris. Five large paintings (each 6ft) portrayed situations which were erotic, even sado-masochistic. The real shocker was "The Guitar Lesson", showing a woman teacher sexually assaulting the adolescent girl pupil, bent across her lap in a clear travesty of a Pietà.

Balthus had found a subject which would never cease to unnerve and even shock. That particular painting is absent from the show. Even so, there are a host of young girls, some with long thin limbs like Gothic beauties, some with rounded limbs and moon faces. For many people, Balthus will for ever be a dubious artist. They reprehend him for being the classicist who paints a thoroughly unclassical nude, and more basic still, for being a dirty old man whose nudes of the '80s show him as still fixated on the Lolita figure.

So yes, Balthus can still be shocking. Indeed, such is the degree of hysteria in Anglo-Saxon countries about adult exploitation of child sexuality, it is questionable how many museum directors would feel comfortable today about staging a retrospective of Balthus, "Guitar Lesson" and the rest. In Lausanne they see things differently. The exhibition is fascinating and full of beautiful images; see it, if you can.

* * *

If you linger in Lausanne, close by at Martigny the Fondation Pierre Gianadda is showing *Edgar Degas* (150 works; open daily, until November 21). *Henry Darger; The Adventures of the Vivian Girls* at the Collection de l'art brut is deranged, distasteful but curious. The collection itself, formed by Jean Dubuffet, should be seen. The Fondation de l'Hermitage is showing *Claude Monet and His Friends:* works loaned from the Musée Marmottan and private collections (until September 26). Last month, the Museum of the Olympics opened down by the lake. It is far more ghastly even than I imagined, but has some interest as a sign of the times.

***Balthus* runs until 29 August. Sponsors; Nestlé S.A., Fondation Nestlé pour l'Art, Vevey; MMe. Hentsch, Chollet & Cie.**

Avignon Festival / **Anthony Curtis**

From grossness to great charm

DURING THE three weeks of the Avignon Summer Festival now in progress the area by the Papal Palace – the *Place du Palais* – is best avoided. The problem is how to avoid it, because the route to get to whatever *spectacle* you want to see usually either starts or ends there, so you find yourself plunging into a jostling mob of tourists in groups, demonstrators, jugglers, strolling musicians, gruesome-looking mime artists, leaflet-distributors and all the other hopefuls that pitch camp at this Festival.

At present the Square contains two alien artifacts conspicuous by their modernity. One is a huge male torso towering above the mob; the other is a bronze bird sculpted on the same gigantic scale. As the sunlight bounces off their polished surfaces they seem to be on fire. They are the work of the Colombian artist Fernando Botero – an exhibition of his work *Botero en Avignon* is on view inside the Palace until September 5, after which it will travel to Moscow and St Petersburg.

Let us go inside, where there are a dozen more Botero bronzes – of nudes, horses, fruit – and 100 of his paintings, most of them dating from the past 10 years. How consistently Botero has stuck to his great theme – obesity. Fat kings, fat queens, fat housewives with their fat husbands, fat children with their fat pets – all are treated with the same stylish detachment as if they were living dolls, the pale texture of the paint suggesting real flesh and underlining the roundness and the grossness of the bodily forms.

As one moves from one canvas to the next a magical transformation occurs. Grossness ceases to seem gross. It acquires, under Botero's witty gaze, great charm and naturalness. Then, instead of painting a pear-shaped woman he paints a single pear to the same scale, and we begin to see connections between human and natural forms.

Exiting from the Palace one encounters a little side street – the rue du Mons. It is here, tucked away inconspicuously, that the Festival Press Office is to be found: it is run most efficiently under the direction of Mme Marie-Hélène Arbour. It has a spacious shady garden where every morning open-air press conferences are held about forthcoming productions.

These offer a pleasantly informal opportunity for the media to question those artists who are initiating productions at the Festival. French theatre directors and choreographers tend to be highly articulate in public. None more so than Jorge Lavelli, who is directing plays here by Steven Berkoff and Edward Bond. Old hat to us, Bond's work has become a new cult in the French theatre and his recent play performed here about a murder over a cup of tea – known in French as *Maison d'Arrêt* – is one of the talking-points of the Festival.

At the end of the rue du Mons we come out on the *Place d'Horloge* where both the Théâtre Municipal and the Hôtel de Ville stand imposingly. This square tends to be even more impassable during the Festival than the last one as it is largely occupied by restaurants. But once past we have another safe haven in which to retreat, the Maison Jean Vilar. This is a fine old Provençal mansion that has now been made into an excellent museum of theatre and the performing arts in honour of the founding father of the Festival. It is currently showing an exhibition of the the stage designs of Georges Pitoëff, the Russian-born actor-director.

Until his death in 1939 he was a figure of innovative importance in the Parisian theatre. Among more than 100 premieres of contemporary French and foreign plays, Pitoëff directed Cocteau's *Orphée*, Pirandello's *Six Characters* and Anouilh's *La Sauvage* – the play that launched this playwright in 1938. Pitoëff's production of Shaw's *St Joan* with his wife Ludmilla in the title role gave Shaw his greatest success in France.

Mme Pitoëff was a diminutive woman of magical presence on stage, as I can confirm – I once saw her as Charlotte Brontë. As one studies her husband's designs for his Shaw production the influence of E. Gordon Craig on Pitoëff clearly emerges. A video in which some of Pitoëff's colleagues in the theatre and his son Sacha pay tribute to him accompanies the show.

Cocteau makes the point that all his productions were done on a shoe-string. He was, says Cocteau, a saint of the theatre. However, there were wags such as Yvonne Printemps who called the Pitoëffs *les pitoyables*. In the theatre even a Pitoëff cannot avoid making enemies. This exhibition leaves one with a renewed respect for his daring, sensitivity, and genius.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Concertgebouw Tonight: Augustin Dumay and Maria Joao Pires play Brahms violin sonatas. Thurs: Roberto Benzi conducts National Youth Orchestra in works by Tchaikovsky, Prokofiev and Franck, with violin soloist Boris Belkin. Sat: Horacio Gutierrez piano recital (24-hour information service 675 4411, ticket reservations 671 8345)

■ ATHENS

Odeon of Herodes Atticus Tonight: final performance by Ballet de l'Opéra de Paris. Thurs, Fri: Greek National Ballet in choreographies by Rudi van Dantzig and Germinal Casado (322 1459)
Epidaurus The annual festival of ancient drama in the 1400-seat amphitheatre at Epidaurus has performances on most weekends throughout the summer. This week's performances on Sat and Sun are Menander's Samia. Aug 7 and 8: Euripides' Trojan Women. Tickets are available daily at the Athens Festival box office (322 1459) or at the theatre of Epidaurus on Thurs, Fri and Sat (0753-22006)

■ CHICAGO

RAVINIA FESTIVAL
Tonight: Joan Baez. Tomorrow: Peter, Paul and Mary. Thurs: Anatol Ugorski piano recital. Fri and Sat: Carlo Rizzi conducts Chicago Symphony Orchestra in works by Berlioz, Walton and Tchaikovsky (Fri, with violist Yuri Bashmet) and Haydn, Bloch and Mendelssohn (Sat, with cellist Lynn Harrel). Sun: Rizzi conducts concert of favourite opera choruses. Next Mon: Gary Lakes song recital. Next Tues: Tony Bennett. Aug 12: William Christie and Les Arts Florissants. The festival runs till early September. All concerts are broadcast to the lawn for outdoor listening. Lawn admission is always available (Tel 312-728 4642 Fax 708-433 4582)

■ COPENHAGEN

Tivoli Tonight: chamber music concert with Lin Ensemble. Tomorrow: Riccardo Chailly conducts Gustav Mahler Youth Orchestra in Mahler's Seventh Symphony. Thurs: Noel Lee piano recital. Fri: Gary Bertini conducts Tivoli Symphony Orchestra in works by Mendelssohn and Ravel, with violin soloist Maxim Vengerov. Sat: Hagen Quartet and pianist Paul Gulda (3315 1012)

■ LONDON

THEATRE
● A Connecticut Yankee: New Shakespeare Company's revival of a rare Rodgers and Hammerstein musical, performed in the garden setting of Regent's Park. Previewing tonight, opens tomorrow (Open Air 071-486 2431)
● The Madness of George III: Alan Bennett's award-winning play about a king's derangement and its effect on the tottering state. Nigel Hawthorne repeats his acclaimed performance as the afflicted monarch in Nicholas Hytner's production. In repertory with Shakespeare's Macbeth starring Alan Howard, Stephen Sondheim's musical Sweeney Todd and J.B.Priestley's An Inspector Calls (National 071-928 2252)
● Sunset Boulevard: Andrew Lloyd Webber's new musical, directed by Trevor Nunn (Adelphi 071-344 0055)
● Oleanna: David Suchet stars in British premiere of David Mamet's powerful drama about sexual harassment and political correctness, directed by Harold Pinter (Royal Court 071-730 1745)
● Present Laughter: Tom Conti directs and stars in a Liverpool Playhouse production of the Noel Coward comedy (Globe 071-494 5065)
OPERA/DANCE
Covent Garden Birmingham Royal Ballet gives performances over the next two weeks of Peter Wright's production of Sleeping Beauty, Kenneth MacMillan's Romeo and Juliet and a triple bill of choreographies by MacMillan, de Valois and Massine. Daily except Sun till Aug 7 (071-240 1066)
Coliseum Final week of Kirov Ballet season is devoted to Swan Lake and Le Corsaire (071-836 3161)
Royal Festival Hall English National Ballet opens three-week season tonight with the Ashton production of Prokofiev's ballet Romeo and Juliet. The season runs till Aug 14 and also includes Raissa Struchkova's new production of Swan Lake (071-928 8800)
Royal Albert Hall BBC Proms: tonight and tomorrow, Tadaaki Otaka conducts BBC Welsh Symphony Orchestra in two programmes, featuring Mahler's Sixth and Walton's First Symphonies. Thurs: Vernon Handley conducts BBC Concert Orchestra in works by Delius, Bliss and Elgar. Fri: Mark Wigglesworth conducts BBCSO in Wagner and Messiaen, with Gwyneth Jones and Joanna MacGregor. Sat: Walter Weller conducts Royal Scottish National Orchestra in Brahms and Schubert. Sun: Handel's Deborah. Next Mon: Hanover Band plays Bach (071-589 8212)

■ ROTTERDAM

De Doelen Sat: Roberto Benzi conducts National Youth Orchestra in works by Prokofiev and Tchaikovsky, with violin soloist Boris Belkin (217 1717)

■ PRAGUE

● Prague Festival Ballet, a young independent company directed by David Slobaspyckyj, gives performances of a triple bill tomorrow and Thurs at 20.00 at Palace of Culture, prior to a British tour. The programme includes the premiere of Love Lessons, a new ballet by Slobaspyckyj set to music by Manuel Ponce. Tickets from Bohemia Ticket International, Na Prikope 16 (228738)
● This week's music programme includes an outdoor concert by Talich Chamber Orchestra tomorrow at Valdstejnska Zahrada featuring works by Mozart, Bach and Vivaldi, and a recital by Czech Wind Trio on Thurs at Prague Castle. Tickets from FOK, U Prasne brany (232 2501)

■ STRATFORD

A new promenade production of Julius Caesar, directed by David Thacker, starts previewing tomorrow in The Other Place (first night Aug 5). A new production of Wycherley's Restoration comedy The Country Wife, directed by Max Stafford-Clark, starts previewing in the Swan Theatre on Aug 4 (first night Aug 10). Alec McCowen stars in Sam Mendes's new production of The Tempest, which starts previewing in the Royal Shakespeare Theatre on Aug 5 (first night Aug 11). There are also performances this week of The Merchant of Venice, King Lear, T.S.Eliot's Murder in the Cathedral and Goldoni's The Venetian Twins (0789-295623)

■ VERONA

Arena There are four opera productions this summer: Cav and Pag with casts including Ekaterina Ikonomou, Nicola Martinucci, Giorgio Zancanaro and Silvano Carroli, Carmen with Giovanna Casolla and Alberto Cupido, La traviata with Adriana Morelli and Salvatore Fisichella, and Aida with Maria Dragoni, Ghena Dimitrova and Kristian Johansson. There will be four performances of Khachaturian's ballet Spartacus later in August, and the season ends on Aug 31 (Booking by telephone or in person: Arcovoli 8-9 dell'Arena tel 045-596517/fax 045-801 3287. Information: tel 045-590109/fax 045-801 1566)

■ WASHINGTON

THEATRE
● The Phantom of the Opera: Andrew Lloyd Webber's musical, directed by Harold Prince. Till Aug 28 (Kennedy Center Opera House 202-467 4600)
● The Twilight of the Golds: Jonathan Tolins' witty family drama with moral, emotional and physical undercurrents. Final week (Eisenhower Theater 202-467 4600)
● Lend Me a Tenor: a farce of operatic lunacy by Ken Ludwig. Final week (Olney Theater 301-924 3400)
MUSIC
Merriweather Post Pavilion Tonight: Duran Duran. Tomorrow: Lorrie Morgan, Doug Stone and Tracy Larence. Sat: Festival of New Orleans. Sun: Tina Turner (301-982 1800)
Wolf Trap Tomorrow: Wolf Trap Opera Company in La clemenza di Tito. Fri and Sat: Peter, Paul and Mary (1624 Trap Road, Vienna, Virginia, 703-218 6500)
Blues Alley Jazz Supperclub Tomorrow: Latin jazz pianist Danilo Perez (1073 Wisconsin Ave, in the alley, 202-337 4141)
Baltimore Symphony Thurs: David Lockington conducts a Viennese night. Fri: David Zinman conducts a Mozart programme. Sun (at Oregon Ridge): romantic works (Joseph Meyerhoff Symphony Hall, Baltimore 410-783 8000)

ARTS GUIDE

Monday: Performing arts guide city by city.
Tuesday: Performing arts guide city by city.
Wednesday: Festivals Guide.
Thursday: Festivals Guide.
Friday: Exhibitions Guide.

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Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Fuel to power the future

South-east Asian countries are increasingly turning to nuclear energy, says Victor Mallet

Power cuts are the bane of industrialists in south-east Asia from Manila to Johor, but visiting executives from companies such as France's Framatome, Germany's Siemens and Atomic Energy of Canada can be forgiven for smiling when the lights go out.

South-east Asia's fast-growing economies are increasingly looking to nuclear power to meet growing demand for electricity, a trend that offers attractive opportunities to suppliers of western nuclear technology and equipment while arousing concern among environmentalists.

Indonesia, Thailand and the Philippines have all announced recently that they are contemplating the development of nuclear power stations, and the idea has also been discussed in Malaysia.

Their more advanced east Asian neighbours – Japan, Taiwan and South Korea – already have nuclear power programmes, as does China.

"The Asia-Pacific region has by far the greatest market potential in the next decade," said Mr Woodrow Williams, manager of advanced reactor commercial programmes for GE Nuclear Energy, part of the US power engineering group, speaking at an FT power conference in Singapore recently. "We are talking in terms of $160bn over the next 15 years."

Taiwan and South Korea are already established markets for nuclear suppliers, but it may take time and effort to convince other south-east Asian countries that nuclear energy is cheap enough and safe enough to be worth pursuing.

"Can the Thai public be sure that a nuclear power plant built and operated in Thailand will be well managed and attain the safety standard as in France?" asked Mr Pisit Pakkasem, secretary-general of Thailand's National Economic and Social Development Board, a state think-tank, in a speech to Canadian businessmen.

Thailand is unusual in south-east Asia in that its electricity generating authority has invested enough in conventional power plants to be able to meet the demand for electricity so far, although that demand has almost doubled in the past five years.

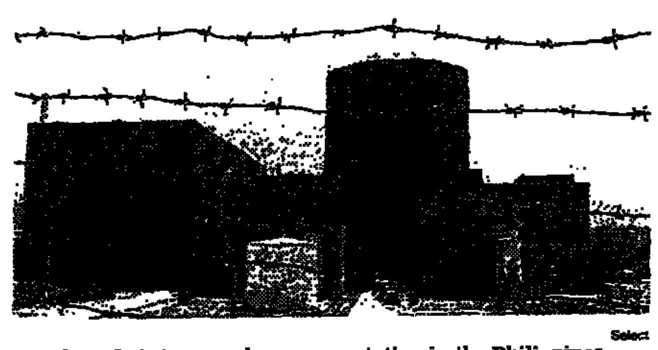
Thai officials, however, feel they are reaching the limits of what they can do with non-nuclear power. They believe electricity demand will increase by 10-15 per cent annually in the next decade, equivalent to about 1,000MW a year.

ASIAN DEVELOPING COUNTRIES

Installed nuclear power capacity (MW)

	1990	2000*	2010*	2020*
China**	–	4,000	6,000-10,000	14,000-18,000
Indonesia	–	–	600-1,800	2,500-4,000
Malaysia	–	–	600-1,800	2,500-5,000
Philippines	–	620	620-1,500	2,000-4,000
Republic of Korea	7,226	11,600-14,300	23,400-25,000	35,000-45,000
Thailand	–	–	600-1,800	2,500-4,000

*Forecasts **Excluding Taiwan, currently with 4,924MW nuclear capacity
Source: UN Economic and Social Commission for Asia and the Pacific



Select

Mothballed: Bataan nuclear power station in the Philippines

Thailand is therefore planning to build six nuclear power plants with a total capacity of some 6,000MW; final approval to go ahead will be needed by 1997 if the first two units are to be commissioned on schedule in 2006.

The authorities acknowledge that public concerns about the risks of nuclear power, the problems of waste disposal and the potentially high capital costs will have to be allayed before a final decision is made.

Thai officials have suggested that countries supplying radioactive material to Thailand may have to take back the spent fuel because the country lacks storage facilities. "We can't hide it in the *klong* [canal]," said Mr Pisit.

Some Thai and foreign conservationists doubt that a bureaucracy incapable of enforcing basic environmental and safety regulations will be able to establish a viable supervisory authority for a nuclear power industry, or make it cost-effective. "Cost will be the big problem," said one foreign energy expert.

Thailand's vocal but ineffective environmental groups recommend gas-fired power stations or lignite plants fitted with emission treatment systems. They say Thailand could shave at least 3,000MW from future demand by promoting energy efficiency.

Mr Witoon Permpongsacharoen, director of the Project for Ecological Recovery, a lobby group, says government forecasts of a 10-15 per cent rise in electricity demand over the next few years are too high.

Fewer qualms about public opinion or safety issues appear to be found in Indonesia, a less open society than Thailand, which has gone further down the road to nuclear power.

President Suharto backs nuclear energy and has played down the possibility of an accident: "With careful planning we should not have to worry too much about such a risk."

A 1,200MW nuclear power complex costing an estimated $2.4bn is expected to be built at Muria in central Java by 2005. This will be followed by the gradual installation of a further 5,800MW of nuclear capacity, despite a complaint from Greenpeace, the environmental lobby group, that Java's record of seismic activity meant that the country "could be heading for another Chernobyl".

In Malaysia, the atomic energy debate is at an early stage. Last year Mr S Samy Vellu, the minister responsible for energy, announced that the country would opt for nuclear power generation and that the first power station would be on stream within a decade.

Dr Mahathir Mohamad, the prime minister, subsequently contradicted this and put a stop to any nuclear plans for the time being, saying there was no need for nuclear energy because the country had plenty of gas, oil, coal and hydro-electricity.

If anything should discourage south-east Asians from investing in nuclear power it is the experience of the Philippines. Construction by Westinghouse, the US power engineering group, of a 620MW, $2.1bn plant at Bataan began in 1976. But it was mothballed on completion 10 years later because the government alleged that Westinghouse and Burns & Roe, the engineering consultants, had bribed Ferdinand Marcos, the late dictator, to win the contract. There were also reports that the plant had been built on an earthquake-prone fault line.

A Philippine inquiry last year concluded that the plant did not lie on a geological fault, and this year the Philippines lost its US court case against the American companies, which were found not to have bribed Marcos.

Manila has spent millions of dollars on the case and continues to spend millions on interest payments for the plant, which lies idle while the main island of Luzon is subjected to black-outs up to 10 hours long.

Officials say a further $400m will have to be spent over 30 months to upgrade the plant to 1992 safety standards, only slightly less than the cost of a new conventional power station of similar capacity.

The Philippine government seems undeterred by this financial disaster. Last week President Fidel Ramos ordered his government to prepare a nuclear power plan by November.

Mr Pablo Malixi, the former chief of the National Power Corporation, the state-owned utility, said he doubted if either the Indonesians or the Thais would backtrack on their commitment to nuclear energy. "It's going to be the fuel of the future," he said.

Additional reporting by William Keeling in Jakarta

The chancellor's dilemma: an inside view

Soft heart of our problem

Social security is at the heart of our budget difficulties. That is not merely because it is the largest single public spending programme, nor even because it is growing so fast. It is because it is demand-driven.

There is a commitment to pay benefits to all who meet the qualifying conditions. The public spending plans are based on official estimates of the number of claimants. If the number proves greater than estimated, we have (in Treasury jargon) an irresistible bid, and spending threatens to rise above target.

However, total public spending is subject to cash limits. So in theory, when social security spending rises, other elements in the budget must be cut back. This actually happened last autumn when, in order to stick to its spending plans in the face of a near £3bn increase in the social security budget, the government had to cut other programmes. That was why last year's spending settlement was genuinely tough even though total spending was not reined back.

The inexorable growth of social security is a prime reason why the government has continually to choose between making swingeing cuts in important programmes and failing to control spending. Loss of control tends to happen before elections, with cuts coming afterwards. But for much of the time, whatever they choose to do, governments are accused by the right of loss of control and by the left of excessive cuts.

During the recession just ended, which coincided unusually with an election, irresistible social security bids helped to drive public spending above target and upwards as a share of GDP. There is nothing unusual about public spending taking an increasing share of GDP during recessions. That has always been a consequence of rising unemployment (hence rising social security payments) and falling output. Over the cycle, the public spending share should rise in the recession and fall in the boom.

The problem is that, in our political economy, spending never falls by enough in the boom. So when the irresistible bids push it up in the next recession, the share of GDP taken by total public spending reaches a higher level than at the same point in the previous cycle. The deterioration of the public finances is most evident in recessions, but much of the damage is done in booms.

That certainly happened in the boom of the late 1980s, when unemployment and the associated social security payments fell. There are always strong claims on the public purse, and they ensured that total spending continued to rise, in nominal terms, as fast as before. This fact was, however, obscured by the sharp real squeeze on public spending in 1988, when inflation came in 3 per cent higher than expected.

Recessions accelerate the take-up of social security benefits, but booms do not reverse it

So what we have is a classic ratchet effect. When public spending on social security falls, as it does in boom times, other spending rushes in to take its place. But when spending on social security rises, as it does in recessions, the effect of this "irresistible" new spending is to swell the total. The combination of a target for *total* public spending and special status for the "irresistible" social security bids is lethal.

That is why the 1992 Autumn Statement separated out so-called "cyclical social security". In future booms, the fall in unemployment pay and related benefits will be scored "below the line" and will create space for an expansion of other public spending programmes.

Unfortunately, there is another and potentially more dangerous ratchet effect at work in the social security arena. At times when unemployment has risen most rapidly there has also been a sharp increase in the take-up of other benefits such as invalidity benefit. A new group of clients becomes aware of the wide range of benefits available to them. When unemployment falls in the subsequent recovery, there is no comparable fall in the numbers receiving other benefits. So the take-up of a wide range of benefits increases steadily over time.

If we compare the numbers expected to receive benefits this year with the numbers in 1978-79, just before Mrs (now Lady) Thatcher took office, the increases are startling. The numbers claiming invalidity benefit have gone up by nearly 1m, nearly tripling the case load. The numbers claiming mobility allowance have also risen by nearly 1m, increasing the case load by a factor of 10. The numbers claiming attendance allowance and one-parent benefit have also tripled and are approaching 1m in each case.

It would be wrong to conclude from these figures that the 1980s saw a threefold increase in the numbers of invalids, single parents and those "requiring frequent attention . . . in connection with their bodily functions" (the qualifying condition for attendance allowance), or a 10-fold increase in the numbers unable to walk. Obviously what is going on is that an increasing proportion of those eligible for these benefits have been taking them up and/or the criteria for eligibility are being less strictly applied.

Which brings us to a key feature of the social security budget: not all those entitled to benefits take them up, but take-up rates are steadily increasing over time. For some benefits, take-up rates are as low as 65 per cent.

These simple facts have profound implications. In a sense the government is committed to a level of support for benefit recipients that it could not possibly afford if all who were entitled to benefits claimed them. As time goes by and take-up rates rise, that becomes increasingly apparent. The increase in take-up rates is now the main factor driving up social security spending. Take-up rates increase especially rapidly in recessions as new clients learn their way round the benefit system. Once on they stay on. Recessions thus accelerate the upward trend in take-up, but booms do not reverse it.

The government will never get the public finances properly under control until they find a way of curbing the irresistible upward march of social security spending. That is why the long-term public spending exercise put in place by Mr Michael Portillo, the chief secretary to the Treasury, is vitally important. Radical solutions are needed. I shall look at some of the options next week.

NUMBERS CLAIMING BENEFITS (thousands)

	Invalidity benefit	Attendance allowance	Mobility allowance	One-parent benefit
1978-79	600	265	95	290
1993-94	1,585	830	1,090	980

Source: public expenditure white papers

Bill Robinson

The author is former director of the Institute for Fiscal Studies and was a special adviser to the former chancellor, Mr Norman Lamont.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Only way to compete effectively

From Mr John Farago.

Sir, Without spending £40 to buy the report, it is hard to understand why "The impact of Japanese firms on working and employment practices in British manufacturing industry" is given sufficient credence and status to merit a front page story in the Financial Times ("Doubts over effectiveness of Japan-style work practices", July 19).

The management methods which have made Japanese industry and Japanese-owned industries in Britain and other countries so successful – attention to quality systems, quality products, statistical process control, flexible manufacturing, empowering workers to control and improve process and, above all, loyalty by employers to employees – have been adopted by successful British companies for years.

The argument about the benefit of "Just-in-time" supplies – that reduction of storage space, reductions in working capital, and early discovery and correction of faulty inputs far outweigh the risks of inherent disruptions – was settled some 25 years ago. It is too complacent to imply that old British work practices are less likely to lead to worker resentment and disruption than today's world-class best practice, whether of Japanese or any other origin.

As for the danger to health and life of working too hard, has the risk of death through overwork been compared with the well-documented increase in illness and death in the UK resulting from unemployment? The most likely consequence of not adopting competitive management styles and work practices is no work at all.

John Farago,
121 Church Road,
Wimbledon,
London SW19 5AH

Good example for timber production management

From Mr Jean-Pierre Kiekens.

Sir, The terms of the new International Cocoa Agreement ("Cocoa pact goes for output management", July 20) should be most instructive to the negotiation of the International Tropical Timber Agreement (ITTA). The cocoa agreement rightly puts the emphasis on production management, whereas ITTA negotiators still discuss, among other aspects, the suitability of a reference to "Target 2000", according to which all tropical timber reaching international markets should be "sustainably produced" by that date. Instead of discussing time targets, ITTA negotiators would be better off to concentrate on production management.

This would be most suitable to the ITTA, as it would lead to better prices for tropical timber producers and a more environmentally friendly exploitation of the tropical rain forest.

Environmental and economic objectives would be simultaneously addressed, and the international tropical timber trade would stand a chance of subsisting in the long run.

Jean-Pierre Kiekens,
director,
Environmental Strategies Europe,
Chaussée de Wavre 1517-P,
B-1160 Brussels,
Belgium

Perverse satisfaction in alienating audience

From Mr Peter Rupert Lighte.

Sir, Even if I had not been in the audience of Julian Grant's opera, *A Family Affair*, I still might have felt obliged to write about Max Loppert's performance in print ("Not so comic capers", July 10). The stridency of his tone more than drowns out the work he so bitterly criticises and the libretto of his dialogue is itself worthy of music. After all, it is Mr Loppert who suggests that *A Family Affair* is too good even to need music, making the case, therefore, that the music of an opera is best matched to an unworthy libretto.

Among the serious music crowd, there seems to be perverse satisfaction taken in the alienation of the audience from the music. Such elitism is ironic, indeed, since most people subscribing to the inaccessibility of the arts fancy themselves very much of the people. The greatest fear is popularity which is seen as the steep and slippery slide to Lloyd-Webberism.

The reception of Grant's work highlights the victimisation of opera audiences intimidated into enduring the personal statements of precious composers by the musical poobahs who all too often applaud these composers' new clothes. Ironically, the critics of modern music have become the very establishment from whom they claim to protect us; thus, the revolutionary archaism of *A Family Affair* poses so great a threat because it connects directly with the audience, thereby sweeping aside the cultural vigilantes who tell us they know best.

Peter Rupert Lighte,
14 Princes Gate Mews,
London SW7 2PS

Child care tax proposal illogical

From Ms Mary Campbell.

Sir, Victoria Tomlinson is out of order in her complaints that (a) the cost of a training course for her nanny is not tax-deductible and (b) the cost of a nanny is not tax-deductible (Letters, July 16).

Rightly or wrongly, much other training, for example business school courses, is not tax deductible. It would be wrong for a nanny's training to be made an exception.

Making the costs of childcare tax-deductible would effectively penalise parents who earn little and parents who give up work (and therefore earnings) to care for their children. The parents who would benefit most from making child-care tax deductible are richer ones who do not want to look after their children.

Ms Tomlinson complains that she cannot run her business without child care. Just because you cannot work without something does not mean it should be tax deductible. On that basis, for example, transport to and from place of work should be tax deductible.

If the state wishes to contribute more towards child care it should increase child benefit (which should, incidentally, be taxable on the caring parent, usually the first name on the child benefit book). This leaves choice in the hands of the parents as to the form of care (lower income because you do it yourself/care at work/care close to home etc). It also means that parents under most pressure – particularly single parents on low incomes – would be helped most.

Making place-of-work child care tax deductible was logically the wrong approach.

Mary Campbell,
6 Grange House,
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London N5 2QD

Taking issue with generalisations and costs of options

From Mr Jan S Sorensen.

Sir, With reference to the article "Exotic options fit the bill" (July 19), we oppose two views expressed in that article.

1. Knock-out options: "They are generally about 35 per cent cheaper than other options".

To say that they are generally 35 per cent cheaper is a very misleading generalisation. The reduction in the premium of a knock-out option compared to a plain vanilla option depends primarily on the level of the out-strike (knock-out level). As the "out-strike" is determined by the client the premium reduction could be anywhere from 0 to 99 per cent. Also it is important to understand that the reduction in premium is obtained by accepting a risk that the hedge might vanish if the out-strike level is reached.

2. Instead of buying options, companies can replicate options by dynamic hedging. "This method creates substantial savings", according to Mike Shilling. That means options are overpriced.

Based on trading experience and empirical research, we do not find that FX option prices in general are overpriced. Taking into account the transaction costs and gamma risk associated with such a strategy we do not believe that "dynamic hedging" is appropriate for hedging purposes. Actually such a strategy would probably be more expensive and dangerous for companies in the longer term.

Jan S Sorensen,
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FINANCIAL TIMES

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Tuesday July 27 1993

Sabotaging the rouble

LAST WEEKEND'S charade, instigated by the Russian central bank, must finally have confirmed to the satisfaction of anyone who still doubted it that the bank is determined to subvert economic reform in Russia. Much more worrying is yesterday's decision by President Yeltsin to soften, rather than rescind, the terms of the central bank's monetary confiscation. At best, it suggests that Mr Yeltsin does not understand the outrage felt by the reformers in his cabinet. At worst, it suggests the reformers no longer have the president's support.

The events of the last few days have combined tragedy and farce, both with a strong sense of historical irony. It is only a little over two years since President Gorbachev's prime minister, Valentin Pavlov, tried to solve Russia's inflationary problems by confiscating bank notes.

Then, as now, the policy caused chaos and public outrage while achieving nothing of value. The government's gaping budget deficit has remained, while other republics have continued to emit rouble credits. Indeed, this latest act will only make things worse. By guaranteeing to exchange up to Rbs35,000 worth of old rouble notes for new ones up until August 7, the central bank has actively encouraged roubles issued in other republics to flow back into Russia. By extending the date until the end of August and raising the upper limit to Rbs100,000, President Yeltsin's compromise has only made this inflationary problem worse.

The tragedy is that this policy shift will now, deliberately or mistakenly, undermine the fragile confidence in the rouble as a store of value that had grown over the past two months. Confidence in the currency had allowed the central bank to accumulate up to $1bn in foreign exchange reserves last month, essential if the government is to fix the exchange rate and stabilise inflation. Now, as the prospects for stabilisation recede, the bank's new-found reserves are likely to vanish just as fast.

The farce is that this decision, to confiscate old roubles and thus violate the contract between issuer and holder of money in Russia, was taken by the central bank, at a weekend's notice without consulting, let alone seeking the support of, the finance minister. This is the nature of government in today's Russia.

Thus the sad history of Russia's latest encounter with economic reform moves again to a climax. In Mr Yeltsin's hands, it has become a play without director or sense of direction. Only if President Yeltsin now acts decisively should aid continue to flow. He must publicly back the reformers in his cabinet, repudiate the misjudgments of recent days, sack the central bank officials responsible and allow the reformers to take control of monetary policy. Until he does so, the west should resist Moscow's urgent plea for a further tranche of western aid. Without such aid, Russia's reforms will not succeed; without presidential willpower, such aid will be worse than useless.

Gravy train

IT WAS BAD enough for present and future pensioners in the Maxwell business empire to be fleeced by the late, unlamented publishing baron. For them now to be plucked by the accountants and lawyers as well, in one of the most unwieldy insolvencies of all time, is simply unconscionable. Yet that, to judge by the evidence in the Social Security Select Committee's latest report, is precisely what is happening. No doubt the eight professional firms that have so far charged £51.6m for their insolvency work are convinced that this is a fair reward for a difficult job. But the Select Committee, chaired by Mr Frank Field, is rightly sceptical. It is a scandal.

The Maxwell insolvency, like those at Polly Peck and Bank of Credit and Commerce International, is exceptionally complex. There are, inevitably, jurisdictional problems in unwinding cross-border business groupings. Record keeping in the Maxwell companies was often shoddy in the extreme. Where fraud is involved, the purpose of the records is anyway to throw the outside inquirer off the scent. It follows that the Maxwell insolvency was always going to be an expensive classic of its kind. But the size of the professional charges, which Mr Field's committee expects to top £100m by the end of the process, raises wider questions about the checks and balances in the insolvency system.

Preferential and secured creditors, by definition, have little reason to be concerned about costs because they have first bite at the cherry. The real burden falls on the unsecured creditors; and they have difficulty second guessing large firms of accountants and lawyers if they suspect that they are stringing out a receivership or administration for the sake of generating additional revenue. The obvious sanction – going to court – is an expensive option. Nor does it seem worth the bother of making a fuss if the pay-off amounts to 4p rather than 3p in a pound that has already been whittled away by prior claims.

Mr Field puts a case for an independent state-appointed monitor of the larger insolvencies, along the lines of the US-style examiner. This certainly merits consideration. But the real flaw in the system stems from the undue weight given to the claims of the Inland Revenue, the Customs & Excise and the banks, relative to those of ordinary creditors including pensioners, for whom the protracted nature of insolvency proceedings is a particularly harsh burden. Equally striking is the inability of the Maxwell pensioners to seek redress against a government which may be in breach of legal obligations, for want of resources.

A review of the system, says the committee, is a priority. Yes, indeed. There has to be a middle way between the US Chapter 11 system, which leaves the bankrupt company in the hands of the management that wrecked it, and the UK approach, which leaves the cadaver at the mercy of the professionals.

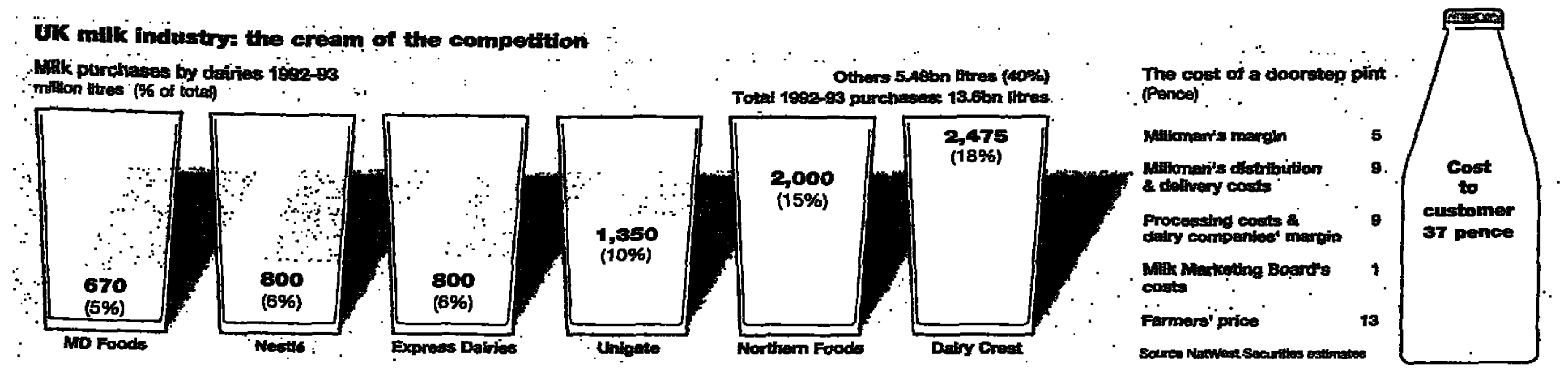
Cash returns

REUTERS' DECISION to spend £350m of spare cash buying back its own shares deserves to be more widely imitated. The idea of buy-backs has never really taken root in the UK, despite its continued popularity in the US. Even GEC, the UK pioneer of the scheme, has not bought in shares since the mid-1980s. But the rationale is becoming increasingly persuasive. If extra cash is scarcely a pressing problem for UK companies, it is at least more common than it was. This year, for the first time in five years, the UK corporate sector looks like generating a financial surplus. Meanwhile, the return on cash is abnormally low in relation to other forms of investment, so there is a greater opportunity cost to shareholders in leaving money idle. The traditional way of managers with spare cash is to buy things; but acquisition, especially for purposes of diversification, is decidely out of fashion.

There can be exceptions to the general rule. GEC, for instance, could defend its decision to stop buying shares on two grounds. First, the rationalisation of its particular industry may have further to run, so that spare cash may genuinely be held for a strategic purpose. Second, like many other UK-based multinationals, GEC has a potential problem with advance corporation tax, since buying in shares counts for tax purposes as a distribution of income. Other companies with cash mountains have less excuse. In particular, drug companies like Glaxo and Wellcome, faced with the likely prospect of dwindling returns on new investment in the harsher world of the 1990s, might care to explain to shareholders why they should continue acting as their bankers.

The argument could perhaps be taken a stage further. It is worth asking why companies, in giving shareholders their cash back, should require something in return: in this case, their shares. There was a time when UK companies took the same attitude over demergers, so that Racal shareholders, for instance, had to pay cash for their shares in Vodafone, which as a Racal subsidiary they owned already. It is a measure of progress that shares in demergers are now routinely distributed free, as was the case with Courtaulds or ICI.

By the same argument, more companies might care to consider handing back cash in the simple form of a one-off dividend. Reuters could argue that the buy-back method gives shareholders a choice between taking their money and leaving it where it is; and the latter option may be preferable, depending on the shareholder's tax position. But the snag about buy-backs is that they have the largely cosmetic effect of increasing earnings per share on the reduced capital. In some companies at least, the result would be that shareholders end up paying managers bigger bonuses. If in doubt, managers should remind themselves that in any transaction of this kind, the shareholder is king.



Pretty penny on the price of a pinta

Deborah Hargreaves and **Maggie Urry** on a shake-up that will unleash competition on the UK milk market

As 300 dairy farmers converge on London's Queen Elizabeth conference centre today, for the last annual general meeting of the Milk Marketing Board, they fear that the milk market is about to turn sour. The meeting coincides with final passage of the Agriculture Bill, which will abolish the board and its statutory monopoly over milk purchasing in the UK.

The end of the monopoly under which farmers must sell their milk to the milk board, which then sells it to dairies, will unleash free-market forces on an industry which has been strictly controlled for 60 years. Competition could encourage a confusing free-for-all, which could, ironically, lead to consumers paying a higher price for a "pinta".

Quoted dairy companies have already seen their share prices fall as investors fear the new regime will hit profits.

The changes in the milk industry bear the hallmarks of the government's privatisation of the energy industry, particularly British Gas, which has faced years of regulatory struggle and investigation by competition authorities because it was privatised as a monopoly.

The milk board system – the sole milk outlet for the UK's 29,000 dairy farmers – was set up in 1933, when five boards were formed; one covering England and Wales, which now accounts for more than 80 per cent of the UK's milk production, three in Scotland and one in Northern Ireland. All five are to be abolished.

Their monopoly developed because farmers needed to forge themselves into a strong sales body to counter the buying power of the large dairy companies. According to one dairy executive: "In the 1930s farmers were crudely abused by the dairy companies," which were buying milk when they needed it, but refusing to take it in slack periods.

The board system brought order to the market. Farmers sell their milk to the board, which pays them the same "pool" price, regardless of the quantity of milk sold or the distance the tanker must travel to their farm. Farmers have come to rely on the daily tanker collections and monthly milk cheque.

"The milk board system is strong in the farmer's culture, and farmers are conservative people," said one dairy executive.

Farmers are worried about the effect of the reforms. "I can well remember my father pouring milk down the drain and, frankly, it frightens me to death does this new set-up," said one Yorkshire dairy farmer.

The milk board for England and Wales will become Milk Marque on April 1 next year, reformed as a voluntary co-operative. Its final proposals have still to be agreed by the government. The other boards are expected to announce similar plans.

Milk Marque hopes to sign up most of the farmers selling to the board and so retain more than 80 per cent of milk production in England and Wales. If it achieves that aim, it will give farmers the security of price and collection many seek. But it could be open to accusations of abusing its dominant market position if it forces up prices to dairy company buyers, which in turn may pass them to consumers.

Several dairy companies and food processors – such as Northern Foods, Nestlé and MD Foods – plan to challenge Milk Marque by buying their milk direct from farmers or setting up their own co-operatives. They argue that Milk Marque will, in effect, be merely a milk broker, which will add to consumers' costs without providing any benefits.

The battle to sign up farmers has begun. Advocates of Milk Marque are playing on some farmers' fears that the difficulties of the pre-1933 era will return. "We're dealing with some large and very powerful buyers and our only hope is to stand united," said Mr Meurig Raymond, whose South Wales farm has 500 cows.

"As a farmer, if you tie your fortunes to just one company, you will rise and fall with the success of that company and not have the broad selling power that will be associated with Milk Marque," said Mr Andrew Dare, chief executive of the Milk Marketing Board who will head the new organisation. "We're not just a milk broker; we're the farmer's marketing and distribution department."

Mr Dare is hinting at higher prices as an inducement for farmers to join him. He believes a more competitive market will mean price increases of up to 10 per cent. In 1992-93 the "pool" price was 21p a litre, and is expected to be 22p-23p this year. That could rise to as much as 25p a litre by 1995, according to Mr Dare.

Still higher prices are being suggested by the Northern Milk Partnership, the leading rival to Milk Marque, set up as a 50-50 joint venture between Northern Foods and the farmers who will supply it.

"Northern will pay a milk price higher than the Milk Marque pool price," promises the brochure sent by the partnership to 17,000 dairy farmers. It also assures farmers of daily collections and monthly cheques.

Northern Foods buys 2bn litres of milk a year, 17 per cent of total production in England and Wales, and aims to secure all its supplies through NMP. Mr Neil Davidson, senior operating executive in charge of milk policy at Northern Foods, said it is "very confident" of getting the milk it needs.

Some dairy groups – such as Northern Foods, Unigate and Avonmore Foods – believe they can offer more to farmers for their milk because they already pay a premium to the Milk Marketing Board under the current arcane system. Milk is sold at different prices according to the use to which it is put. Liquid milk costs more than milk for cheese and butter so some companies pay more for supplies.

Farmers are thus in the enviable position of seeing milk buyers squabble over their loyalty. But who will pay for the higher prices farmers may receive for their milk?

Mr Dare contends that increased payments for farmers will not necessarily mean a rise in customers' prices. He says that dairy companies and processors – particularly butter and cheese makers – should absorb the higher costs because they will be getting a better service and assured supplies.

Dairy companies believe that Milk Marque should absorb some of the potential price rise by cutting costs, something Mr Dare is committed to achieving.

Northern Foods on the other hand pledges to pass increased costs to the consumer. Mr Davidson said: "Any increase in milk prices will have to be recovered from the marketplace."

Prices could rise anyway, because of the tight market for milk in the UK. When the milk board system was set up there was a surplus of milk, giving the dairy companies the upper hand. Now, after nearly 10 years of European Community milk quotas, the UK produces only about 85 per cent of its needs, with most of the rest imported as butter and cheese.

Dairy processors are eager to secure milk supplies to keep their factories running at full capacity, and thus operating as efficiently as possible.

One dairy executive expressed his fears: "We are likely to find quite a scramble for milk from April 1 next year to keep the processing plants going. The first year will be difficult and milk will get more expensive."

Many dairy executives privately admit they expect Milk Marque to capture more than 80 per cent of the milk supplies, at least initially. But several observers believe that, once farmers see some of the advantages to be gained from competition in the marketplace, they could start splitting off to form local or regional co-operatives similar to those in continental Europe.

Some critics believe the government should not allow Milk Marque to become a national monopoly once the Milk Marketing Board's hold on the market has been removed. Competition could develop more effectively if it were split up into regional units. Otherwise, UK consumers could end up paying for a freer market in milk, while farmers enjoy the benefits of security and stable prices.

Gatt effort must not be wasted

PERSONAL VIEW

Seven years after the current Uruguay round of the General Agreement on Tariffs and Trade began, there are renewed hopes that the negotiations will be successfully concluded. However, before considering how this might be achieved, it is worth asking whether the circumstances of 1986 remain the same and, if so, whether the objectives are still valid.

Substantial changes have taken place:

● The world political framework has been transformed, through, for example, the end of the cold war.

● Eastern European countries are being transformed into market economies and are becoming part of the world trade system, although some have not yet completed their process of integration to Gatt.

● Developing countries are achieving significant structural change. According to Gatt data, there are 72 governments that have adopted policies for commercial liberalisation.

● Regional and sub-regional integration aimed at providing better commercial conditions within member countries has made great headway. And in 1992 alone, the secretary of Gatt recorded 17 new regional agreements on trade.

Growth in international trade in 1992, both of merchandises (4.5 per cent in volume) and services (8 per cent), would suggest that the conclusion of the Uruguay round has not been necessary in the promotion of the world trade.

However, it would be a serious mistake to leave it like this, as the growth was due to a convergence of factors and not to a consolidated trend. The tendency since 1988 has been for trade and world production to slow down.

A balanced and substantial package is needed to achieve economic expansion through world trade. According to recent studies, the opening of product markets as a consequence of the Uruguay round would inject as much as US$200bn annually into the international economy. With this, trade will become the basis for the development and growth of nations.

Likewise, common rules must be reinforced in the process of regional integration, enabling all parties to benefit from the expansion of world trade. This process not only has to be consistent with the articles of Gatt but also has to converge with the principles and objectives of international free trade and of multilateralism.

A successful conclusion of the negotiations is essential for strengthening the economic reforms and the liberalisation processes of developing countries, which have been frequently undertaken under difficult political and social conditions. This effort should not be wasted, as it is a vital factor in integrating developing economies within the international economic trade system.

A balanced and substantial package is needed to achieve economic expansion through world trade

As for industrialised countries, the growth of world trade within a more stable, balanced and foreseeable framework will lead to macro-economic stability, with favourable consequences for employment and investment. At the same time, it will slow down protectionist trends and will help to eliminate commercial tensions and deter countries from introducing commercially retaliatory measures.

The answer to these challenges cannot lie on technical arguments, for, after seven years of negotiations, the problems and their likely solutions have already been thoroughly identified. The *Final Act* Draft, presented in 1991 by Mr Arthur Dunkel, former director-general of Gatt, is an adequate basis to reach final agreements and comply with the goals of the Punta del Este Declaration.

The conclusion of the Uruguay round must be regarded as the political responsibility of the participating governments which would have to be ready to assess and make the concessions which the global agreement demands.

The recent Group of Seven meeting in Tokyo seems to show the clear and concise will of the principal commercial partners to conclude the negotiations. This has contributed to the round's relaunch and has given it the impulse for Gatt secretary-general, Mr Peter Sutherland, to proceed towards the final stage, one of the thorniest of the round.

The responsibility of the G7 members in the conclusion of the round is undoubtedly great, but the success of negotiations will depend upon the effort and the commitment which all 113 contracting parties of the Gatt assign to this enterprise. All of them must encourage the growth, development and economic welfare of their own countries as an essential step towards strengthening the supreme values of democracy, social justice, freedom and dignity.

Dr Sergio Abreu Bonilla

The author is the Uruguayan minister of foreign affairs

OBSERVER

Anthem for the Bank

■ The wisdom of Prometheus is something to which all top officials of the Bank of England aspire. So it is fitting that the Bank has hired Geoffrey Burgon, who wrote an opera about the demigod and is one of the most eclectic of Britain's modern composers, to think up a tune to celebrate the Old Lady's 300th anniversary next year.

The work will be performed next Summer (pencil in June 8 at the Barbican), and looks like being one of the lighter moments in a year of celebrations of the Bank's tercentenary. Other highlights include a Service of Thanksgiving at St Paul's, a new £50 note issue, and a conference of 130 central bank and other international big-wigs.

As for the Bank's new theme tune, new governor Eddie George is giving the composer a free hand and will learn about the score only on the day of the performance. Like "Hard Eddie", Burgon was a late developer and got interested in music only at the age of 15, when he learned the trumpet.

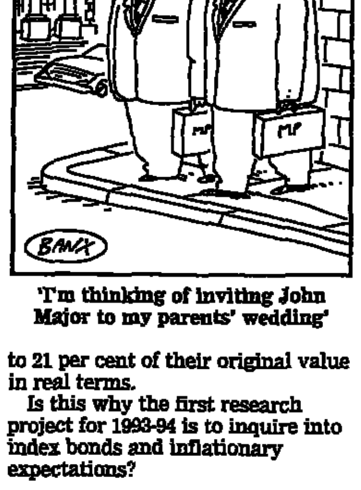
An enthusiast for old cars, Burgon has made a mint by taking an unashamedly commercial attitude to music, mainly through creating easy-to-listen-to signature tunes for TV series, such as Brideshead Revisited and Chronicles of Narnia. He has also plunged into serious music through works such as a Requiem and writing scores for ballets, including Persephone and Ophelia.

Given the topsy-turvy environment of central banking, especially in the light of exchange-market turbulence and the BCCI affair, Burgon may draw inspiration for the new assignment from his recent concerto, The Turning World. A recent song – I Went to Heaven – encapsulates all that central bankers aspire to. As for the forces of retribution that await bankers who make one mistake too many, Burgon has also provided the score to Murder in the Cathedral.

Value for money

■ Meanwhile what on earth is the Bank of England doing giving half a million pounds to double the size of its Houblon-Norman fund so that it can undertake yet more academic research into central banking matters? The Maxwell pensioners or the depositors in BCCI might well believe they have prior claims if there is spare cash about. As for the sum involved, £500,000 might sound a lot but, if the aim were to maintain the real value of the original 1944 endowment of £100,000, topped up by £50,000 in 1967, then the Bank should have injected much more loot. Observer's calculations suggest that the value of the combined endowments has slipped to 21 per cent of their original value in real terms.

Is this why the first research project for 1993-94 is to inquire into index bonds and inflationary expectations?



'I'm thinking of inviting John Major to my parents' wedding'

Unhappy families

■ The suicide of Raul Gardini, laid to rest in his home town of Ravenna, struck a chord among many of the inhabitants of the sleepy seaside town. On a gloriously sunny Sunday, long lines of mourners had already formed outside the church where his body lay, and thousands more, stunned by the circumstances of his death, gathered yesterday to bid farewell at a moving funeral service.

While Ravenna will not easily forget its most famous son, whatever his misdemeanours, the apparent reconciliation of Ferruzzi family members around Gardini's tomb is much less likely to endure.

Rumours are already circulating that there may be attempts at legal action against the Gardini branch, revisiting the 1991 deal when Gardini's wife, Idina, née Ferruzzi, sold her stake in the Serafino Ferruzzi family holding company back to her brother and two sisters for the sum of L505bn (£208m).

Field's field day

■ It is difficult to imagine Joe Public doing anything other than uttering a loud cheer at the insurance industry's latest round of difficulties.

First the Treasury launches an assault on its sales practices by calling for an even bigger clean-up than the one proposed by the Office of Fair Trading. Now, the Commons Social Security Committee has taken a tilt at its reluctance to pay up.

The committee, chaired by the increasingly terrier-like Frank Field, complains in its latest report on the Maxwell pensions saga that the insurers operate "a gentleman's agreement philosophy" when issuing and renewing policies, but turn horribly legalistic when the poor old pension fund trustees put in their claims.

The locus classicus is the largest of the Maxwell policies, known as the crime policy, providing £40m of cover for the dishonest misappropriation of assets by the employees of the Maxwell companies. If that's not what the late Cap'n Bob was up to, what on earth was it that he perpetrated?

Aha, say the insurers, but since he failed to disclose the fraud to the insurers at the renewal date – likely one, that – the policy is voidable. Along with a string of other excuses, they even manage to argue that since Maxwell and his aides were directors of the company, they were not employees as such.

The industry explanation is that insurance is based on the idea of utmost good faith. What that means, apparently, is that the insurers are prepared to hand back the premiums. But Field is not impressed. When it comes to Robert Maxwell, his committee remarks, the insurance companies "can be added to the growing list of organisations and individuals who were only too willing to accept his money and equally willing to ignore his track record".

Ay-oop

■ If yesterday's Anglo-French summit had been held in Yorkshire, rather than London, would it have been called a Summat meeting?

FINANCIAL TIMES
Tuesday July 27 1993

UN condemns both sides over offensive

Israeli attacks put peace talks in jeopardy

By David Horovitz in Jerusalem, Mark Nicholson in Beirut and Roger Matthews in London

FEARS for the future of the Middle East peace process intensified yesterday as Israeli forces continued their onslaught against Arab guerrilla positions in Lebanon.

Israeli aircraft, gunboats and artillery again attacked targets the length of Lebanon, drawing retaliatory fire and a wave of condemnation from Arab governments.

Lebanon yesterday called for an urgent meeting of the United Nations Security Council on Israeli attacks against targets in its territory. UN secretary-general Boutros Boutros Ghali issued a statement deploring both the Israeli attacks against Lebanon and rocket attacks against northern Israel.

At least 35 people have been reported killed and more than 130 wounded since the assault was launched on Sunday after attacks by Iranian-backed Lebanese faction Hizbollah on Israeli troops deployed in south Lebanon.

Israeli prime minister Yitzhak Rabin vowed to make southern Lebanon uninhabitable if guerrilla attacks continued: "We want to make it unequivocally clear that if there is no quiet here, there will be no quiet for the residents of south Lebanon north of the security zone... there will be such unquiet that they won't be able to live there."

Thousands of Lebanese refugees were streaming towards Beirut yesterday after Israel warned residents of 35 southern villages to flee if they wished to escape bombardment.

The Palestine Liberation Organisation in Tunis accused Israel of having delivered a death blow to Middle East peace negotiations. Mr Ahmed Abderrahman said that the "aggression, which was the result of the US policy of support for Israel... shows clearly the true face of the Israeli government as a war cabinet and not a peace cabinet".

Syria, which lost three soldiers in the first wave of Israeli attacks, said the continued action was putting peace talks to a critical test and endangering stability in the region, a view echoed by Egypt, the Arab League, Jordan and newspapers in Kuwait and the United Arab Emirates.

The 51-member Islamic Conference Organisation, which recently offered 17,000 troops to protect Moslem safe havens in Bosnia, also condemned Israel's "aggression" and appealed to the UN to halt the offensive.

More than 30 Israeli attacks by aircraft and helicopter gunships were reported yesterday, ranging from Tripoli in the north to Tyre in the south. Hizbollah strongholds and camps used by their Palestinian allies were the main targets. A UN spokesman said that repeated barrages of artillery shells had been fired at the area just north of the zone occupied by Israel.

Mr Warren Christopher, the US secretary of state, due to visit the region at the weekend, said in Singapore that progress in Middle East peace talks was the only antidote to the fighting. His trip, which NBC reported last night could be in doubt as a result of the fighting, would concentrate on persuading Israel, the Palestinians, Jordan, Syria and Lebanon to resume peace negotiations in Washington next month.

France and UK signal improved relations at summit

By John Ridding and Philip Stephens in London

BRITAIN and France yesterday signalled a strengthening in bilateral co-operation covering defence, foreign affairs and Europe. But the first full-scale Franco-British summit since 1991 left the two sides still at odds over completion of the Uruguay round of world trade talks.

After a day of talks in London headed by Mr John Major, the British prime minister, Mr Edouard Balladur, his French counterpart, and President François Mitterrand, the two sides announced a series of agreements which confirmed the warming in relations since Mr Balladur's conservative government took office in March.

Mr Major also voiced support for the embattled French franc, which has been under sustained pressure on foreign exchange markets. "It is not in anyone's interests to have currency turmoil in Europe," he said. "It damages the prospects for export-led recovery."

Mr Mitterrand shrugged off the attacks against the franc and said a single European currency could be achieved within the next few years.

The agreements reached yesterday included an opening date for the Channel tunnel. It will be officially opened by Britain's Queen Elizabeth and Mr Mitterrand on May 6 next year.

On the EC, Britain and France said they had found much common ground concerning subsidiarity - the decentralisation of decision-making from Brussels to national governments.

Mr Major said the two sides had agreed a list of 24 items of community legislation that "needed to be amended or withdrawn". These included EC directives on employment conditions for workers in privatised industries, on taxation of stock exchange transactions and on standards of water quality.

On defence, the two sides agreed that the joint nuclear weapons commission established last autumn, which defines joint policy on nuclear issues, would be made permanent. The two sides also confirmed their support for Lord Owen, the EC peace envoy, and Mr Thorvald Stoltenberg, his UN counterpart, in the Geneva talks on former Yugoslavia due to start today.

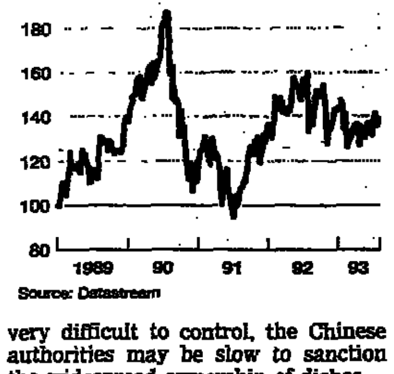
While officials said the two nations agreed on the need for a successful conclusion to the Uruguay Round, they remained divided on agriculture. "We have a point of friction," said Mr Mitterrand, referring to the Blair House agreement on agricultural production between the EC and the US, which France has described as unacceptable in its present form.

Maastricht challenge, Page 8

THE LEX COLUMN

Reuters' happy returns

FT-SE Index: 2844.2 (+16.5)



Source: Datastream

At last Reuters appears to have devised a commendable solution to its embarrassment of riches. By repurchasing 5.8 per cent of its shares, Reuters can distribute £350m of cash in a way that is more tax efficient than simply increasing its dividend. But the move will inevitably revive questions about whether its business is now mature.

Share buy-back schemes are certainly preferable to one-off dividends in that they contain a greater element of choice. Shareholders may receive different net gains depending on their particular tax regime. Theoretically, at least, those who choose not to tender their shares for repurchase should not be disadvantaged. They should end up with a proportionately bigger shareholding, enhanced earnings and a higher share price.

Nevertheless, there tends to be a prejudice - at least in the UK - against companies giving back money. The implication is that if managers cannot spend it sensibly they should be replaced by more imaginative types. Such criticisms chime resonantly in Reuters' case given the doubts about its long-term growth prospects.

But Reuters retains the capacity to generate and spend money at a fiendish rate. Its capital spend last year rose 31 per cent to £194m. Having installed a vast array of terminals, it is now devising ever more means of squeezing revenue from them. Multimedia also offers promising opportunities. Even so, it will not be long before Reuters' free cash-flow of £200m creates another money mountain. At least, shareholders now have some reason for hope that Reuters is less likely to blow it on something silly. How investors in Boots must wish its management had exercised such restraint.

News Corporation

Doubtless there is a great untapped market for satellite television in Asia. Whether it will be profitable for the companies that enter it remains to be seen. The market requires expensive libraries of programmes in many languages. The geography and unsophisticated financial infrastructure of parts of the region will make it difficult to operate encrypted subscription services. That makes the venture more heavily dependent on uncertain advertising revenues. The attitude of the Chinese government will also be critical. Given that satellite television is very difficult to control, the Chinese authorities may be slow to sanction the widespread ownership of dishes.

News Corporation's acquisition of a stake in Star TV is thus something of a calculated gamble. But at least Mr Rupert Murdoch has stacked the odds in his favour. News Corp's library of English language programmes from Fox and BSkyB will expand Star's attraction to the English-speaking Asian audience which stretches from the Gulf to Japan. That group is mostly concentrated in areas where subscription services may be feasible. Cable services into Hong Kong provide a ready market, and Star already owns a large library of Chinese language films. News Corp has also reduced the risks by using equity to fund the purchase - albeit at the expense of diluting earnings.

Perhaps the most important facet of the deal, however, is that Mr Murdoch has effectively shut other companies out of Star. That both guarantees a market for Fox's output and gives the company a head start in Asia. If there is a profitable niche, News Corp is now best placed to step into it.

TSB Group

Having failed to get rid of its estate agencies last week, TSB has successfully disposed of its Swan National Leasing business to Forward Trust. A price equivalent to more than twice book value looks respectable. Seen in terms of a historic exit multiple of 13 times for a cyclical business which has only just passed the trough, it is less attractive. Forward Trust is hardly over-paying for a business with recovery prospects that will also expand its vehicle fleet by more than 50 per cent. While TSB is under no financial pressure to sell peripheral businesses, it needs to maintain the momentum. Otherwise its strategy of focusing on retail banking and insurance will lose credibility. The satisfaction in the Swan National deal is that the tidying-up process continues. It would be more important to realise a full price for Hill Samuel which contributed £88m to profits last year. At least its aborted estate agency deal shows there is a point where TSB will draw the line.

The more successful TSB's disposals policy, though, the more it will face a problem of surplus capital. Despite its best efforts to lose money in recent years, its tier one ratio is still above 8 per cent. Mortgage lending and insurance consume less capital than many traditional banking activities. In returning capital to its shareholders, Reuters has set an example that TSB should consider following.

Union Discount

Union Discount is living proof that financial institutions are at their best when capital is scarce. Having made an ill-judged move into leasing during the bountiful years of the late 1980s, it is now setting a fine example. Cost-cutting, the introduction of a sharper trading style in the money markets and the search for fee income amount to a more convincing strategy than empire-building. It is a shame, then, that the hangover will take time to shake off.

With capital still tied up in leasing, the discount house has been unable to take full advantage of favourable money market conditions. Yet selling the rump of leasing assets could result in further losses. Disposing of the Winterflood market-making business earlier this year released capital as well as bringing in cash. That should allow Union to pursue its ambitions in bond arbitrage and futures trading. Fee-based activities such as asset management and consultancy do not require much capital backing, but building these businesses from a small base promises to be an incremental process.

If Union can prove its more adventurous trading style will turn in steady profits - and support a dividend - the shares should rise from the current discount to net assets. But its future lies more as a collection of niche businesses than the grand City institution its name implies.

West German states report modest increase in inflation

By Christopher Parkes in Frankfurt

INCREASES in insurance costs and dearer bananas contributed to a further increase in western German inflation this month.

Provisional figures from three main states published yesterday tended to confirm forecasts of a modest rise in the cost-of-living index.

A rise over June of only 0.1 per cent in Baden-Württemberg gave the Frankfurt stock market a boost early in the day as traders speculated that it might encourage the Bundesbank to cut interest rates at its last meeting before the summer break on Thursday. But later details, showing increases of 0.2 per cent on the month in North Rhine-Westphalia and Hesse, bringing annual inflation rates there to 4.1 per cent and 4.8 per cent respectively, were more in line with general forecasts.

Most economists expect an annual rate of between 4.2 per cent and 4.4 per cent for all of western Germany to be announced later this week when the figures have been collated.

Economists suggested that the figures had already been allowed for in the Bundesbank's calculations and that the main question was how far the central bank felt able to move in order to support the French franc without compromising its reputation for rigid resistance to inflation.

High rents and service costs are still the main source of inflationary pressure in western Germany, but an increase in taxes on insurance premiums, introduced on July 1 have also played a role.

In North Rhine-Westphalia, the state statisticians noted that bananas, the most popular fruit in Germany, are now 30 per cent more expensive than a year ago because the EC has ordered Germany to reduce shipments of cheap fruit from Latin America in favour of more expensive Caribbean supplies.

News Corp

Continued from Page 1

he wished. It was also clear that News Corp would have found a way of competing against Star if it had failed to buy control.

Hutchison and the Li family will retain 36.4 per cent of the venture and will remain in control of the company that holds the operating licence from the Kong Kong government.

This means that unlike Mr Murdoch's $238.8m bid last month for a 22 per cent stake in Television Broadcasts, a domestic television company in Hong Kong, no regulatory issues on ownership are involved.

S Africa constitution

Continued from Page 1

governments. It provides for the election of regional legislatures, the drawing up of regional constitutions and heavy regional representation in the national parliament, which will also draw up the final constitution.

It also lists a variety of areas - including health, education, local taxation and local policing - in which regional governments would share power with central government while a new constitution is finalised. However, the issue of how power should be shared between the two levels of government is deferred for consideration by an independent commission after the first elections. A final decision on this issue would be left to the multi-party cabinet and the elected constituent assembly.

Inkatha is likely to reject these proposals, arguing that the KwaZulu government will lose the powers it has (as an autonomous black homeland) with only vague guarantees of their restoration in a final constitution.

The draft provides for a 400-member national assembly elected by proportional representation. There will be a second chamber, a senate, with 10 members from each region.

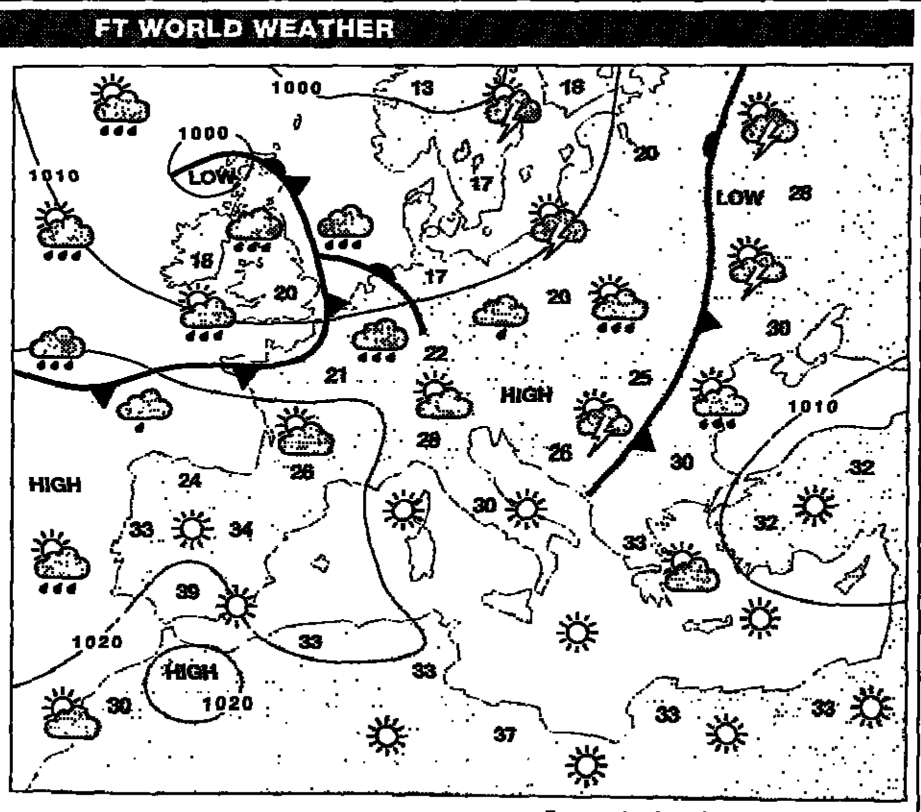
FT WORLD WEATHER

Europe today

A frontal zone moving over the British Isles, northern France and the Low Countries will cause cloudy conditions and some rain. Low pressure west of Scandinavia will bring some showers, sometimes with thunder, to the south-west Norwegian coast. Some sunny spells are possible in most of Finland as well as eastern and southern Sweden. In eastern Europe, temperatures will rise to 30C before colder air from the west produces heavy thunderstorms. The Alps and the centre of France will be mainly dry with some sun. Mediterranean countries will continue sunny and warm. Afternoon temperatures will reach 40C in parts of Spain. Scattered showers will occur in Greece as a frontal zone approaches.

Five-day forecast

North-western Europe will stay in a strong westerly flow keeping conditions very unsettled and temperatures far below normal. Winds up to gale force may be expected later in the week, especially over northern Britain. The heaviest rain is expected in the northern part of the British Isles, Denmark and Scandinavia. Mediterranean regions will be mainly sunny and dry.



Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	44
Accra	thund	30
Algiers	sun	33
Amsterdam	shower	19
Athens	sun	33
Bangkok	cloudy	36
Barcelona	fair	29
Beijing	cloudy	26
Belfast	rain	19
Belgrade	shower	27
Berlin	shower	17
Bermuda	shower	30
Birmingham	cloudy	21
Bogota	fair	21
Bombay	sun	31
Bordeaux	fair	25
Brussels	rain	20
Budapest	fair	24
Buenos Aires	fair	14
Cairo	sun	35
Cape Town	fair	19
Caracas	sun	28
Chicago	thund	31
Cologne	rain	19
Copenhagen	shower	18
D' Salaam	fair	30
Dakar	fair	31
Dallas	sun	38
Darwin	fair	30
Delhi	sun	33
Dubai	sun	40
Dublin	shower	20
Dubrovnik	fair	32
Edinburgh	thund	17
Faro	sun	32
Frankfurt	shower	21
Geneva	fair	24
Glasgow	cloudy	17
Hamburg	shower	17
Helsinki	shower	18
Hong Kong	cloudy	32
Honolulu	thund	30
Isle of Man	rain	17
Istanbul	sun	29
Jersey	cloudy	18
Karachi	cloudy	33
Kuwait	fair	47
La Paz	sun	18
Las Palmas	sun	30
Lisbon	fair	33
London	shower	22
Los Angeles	fair	24
Luxembourg	rain	18
Lyon	fair	26
Madeira	sun	26
Madrid	sun	38
Majorca	sun	32
Malta	sun	33
Manchester	rain	19
Manila	shower	32
Melbourne	shower	14
Mexico City	fair	25
Miami	thund	33
Milan	fair	28
Montreal	shower	27
Moscow	thund	24
Munich	cloudy	23
Nairobi	fair	25
Naples	sun	31
Nassau	shower	32
New York	shower	23
Nice	sun	25
Nicosia	fair	32
Oslo	shower	14
Paris	rain	22
Perth	shower	17
Prague	fair	18
R' de Janeiro	fair	26
Rangoon	shower	30
Reykjavik	shower	12
Riyadh	clear	44
Rome	fair	29
S' Francisco	fair	26
Seoul	cloudy	29
Singapore	thund	30
Stockholm	shower	18
Strasbourg	cloudy	23
Sydney	fair	17
Tel Aviv	fair	33
Tokyo	fair	28
Toronto	cloudy	26
Tunis	sun	33
Vancouver	fair	23
Venice	fair	26
Vienna	fair	24
Warsaw	shower	20
Washington	thund	32
Wellington	cloudy	12
Winnipeg	rain	24
Zurich	fair	22

FINANCIAL TIMES
COMPANIES & MARKETS

Tuesday July 27 1993

INSIDE

BMW profits warning as sales fall 9%

BMW sales fell 9 per cent to DM14.7bn ($8.5bn) in the first half. Chairman Mr Bernd Pischetsrieder said earnings, which are expected to be announced tomorrow, suffered from this sales slide. Page 22

Chevron back in the black

Chevron, which has moved further than most large US oil and gas groups to cut costs, suffered a fall in second-quarter net income to $50m because of restructuring charges of $552m. Page 23

St James's makes pay-out

St James's Place Capital is to give shareholders its 37.6 per cent stake in RIT Capital Partners, worth £104m ($156m) plus £32.7m in cash, to disentangle Lord Rothschild's two companies and make SJPC a more focused UK financial services group. Page 22

TSB to sell leasing arm

TSB Group continued its disposal of businesses outside its UK retail banking core by agreeing to sell Swan National Leasing, its vehicle contract hire business, to the leasing arm of Midland Bank for £182.5m ($274m). Page 22; Lex, Page 20

Gucci tries to end deadlock

Mr Maurizio Gucci, chairman and joint shareholder of Italy's Gucci luxury goods group, offered to sell his 50 per cent stake or buy out the Investcorp banking group, the other joint owner, in an attempt to break the deadlock facing the company. Page 22

TV - Latin American style

New technology and marketing are enabling Latin American television stations to look beyond their individual home markets but this is creating both cultural and political problems. During the recent troubles in Guatemala, one television station was fired on. Page 23

China raises cash in HK

In the past six months companies in Hong Kong, especially mainland-backed companies, have raised HK$40bn ($3.5bn) in new equity, excluding warrants. Much of this money has been raised specifically for China, underlining Hong Kong's growing importance as a supplier of capital to the mainland. Page 25

Norsk Hydro surges

Norwegian energy group Norsk Hydro lifted first-half net income to NKr2.63bn ($361m) from NKr903m a year ago after a pre-tax gain of NKr2.5bn from the sale of its stake in chocolate-maker Freia Marabou. Page 25

Gas development thwarted

The potential of Indonesia's Natuna Field in the South China Sea has kept the gas industry enthralled since its discovery 20 years ago but development has been held back by both production difficulties and a financial dispute between the state-owned company Pertamina and Exxon of the US. Page 32

Market Statistics

Companies in this Issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
AG Ind & Verk	599	+	34	Cap Gemini S	185.5	+	5.5
Hochtief	1078	+	38	Intertechnique	468	+	16
Kaufhof	514	+	14	Paribas	453.2	+	13.3
RWE	430	+	16.5	Schneider	672	+	22
Viag	445.5	+	35.5	**Falls**			
Falls				Geophysique	587	–	18
Rosenthal	269	–	6.2	Pinault Printmp	676	–	44
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Boeing	39½	+	1⅛	NGK Insulators	1170	+	80
Reuters	64⅝	+	1¼	Showa Shell Sek	1080	+	50
US Healthcare	52	+	2¼	Yokohama (Bank)	1180	+	70
Falls				**Falls**			
Cummings Engine	83½	–	5½	Hitachi Sales	617	–	27
IBM	41½	–	⅝	Kyodo Shiryo	534	–	25
Mobil	71½	–	½	Mori Seiki	2220	–	90

New York prices at 12.30 pm.

LONDON (Pence)							
Rises				Reuters	1440	+	38
ASDA	64	+	2¾	SmKl Beecham A	448	+	13
Acorn Computer	105	+	8	Union Discount	158	+	7
Cook (DC)	26	+	2	**Falls**			
East Surrey	338	+	10	ADT	570	–	20
Feedback	88	+	6	CRT	92	–	8
Gieves	31	+	3	Merrydown	288	–	16
Gowett	300	+	13	Rolfe & Nolan	225	–	30
Hartstone	60	+	4	Shandwick	26½	–	5½
Oceana Cons	82	+	6	Tadpole Tech	277	–	12
Ptatignum	59	+	5				

Boeing shares rise despite sales warning

By Martin Dickson in New York

BOEING, the world's largest commercial aircraft manufacturer, yesterday reported a slight drop in second quarter net income and warned that a trend towards lower sales would continue into 1994 because of the global economic slowdown.

However, the company's shares rose sharply in morning trading on the New York Stock Exchange, to stand at $39, up $1¼ at lunchtime, because its results were substantially ahead of analysts' expectations.

The company reported net earnings of $426m, or $1.25 a share, on sales of $7.96bn for the second quarter, compared with $432m, or $1.27 a share, on sales of $7.8bn in the same period last year. Analysts had been expecting earnings per share of around $1.05.

Mr Frank Shrontz, chairman, said second-quarter sales were higher than the first quarter's $6.6bn because of the timing of commercial jet deliveries.

In the first six months, Boeing earned $751m, or $2.21 a share, down from the $852m, or $2.50 a share exclusive of accounting adjustments in the same period of 1992. Sales fell from $15.79bn to $14.63bn.

The drop in first-half earnings was due mainly to lower sales in its commercial aircraft and defence and space businesses. Boeing delivered 202 commercial aircraft in the period, down from 243 in the first half of 1992. Defence and space sales were around 14 per cent lower.

Mr Shrontz said Boeing continued to expect full-year sales of around $26bn, down from $30.2bn in 1992.

Second-half sales would be about 20 per cent lower than the first half, and this was consistent with cuts in production already announced by the company.

"Based on current programmes and schedules, the trend of lower sales levels will continue through 1994," said Mr Shrontz.

"New orders for commercial transports continue to be below current delivery rates, and some customer requests to reschedule existing orders continue to be negotiated."

However, the company said operating profit margins on commercial jets were expected to be "substantially maintained" as Boeing moved into this period of lower production. Margins also continued to improve in the defence and space business.

Boeing's firm backlog at the end of June totalled $80.8bn, down from $87.9bn at the end of 1992.

VW and Suzuki quit joint project

By Christopher Parkes in Frankfurt

VOLKSWAGEN and Suzuki have abandoned a planned joint venture to develop and manufacture a mini-car for the European market. The German company said both sides had agreed the project was no longer feasible because of recession.

The Japanese group said it had accepted a VW proposal to stop now, but added that it would continue to develop a car on the basis of results achieved so far.

The two companies had settled on the final design and were discussing cost-sharing when the axe fell, Suzuki said.

The plan called for up to 150,000 vehicles a year to be built at the Barcelona factory of Seat, VW's Spanish subsidiary.

The cancellation is a further indication of VW's rigorous efforts to cut costs and return to profit. It follows the company's withdrawal last year from a similar deal with SMH, the Swiss watchmaker, to develop a high-fashion "Swatch car".

Both projects were part of a strategy, developed under the leadership of Mr Carl Hahn, the VW chairman who handed over to Mr Ferdinand Piëch last January, to give Volkswagen a leading position in the small car market.

Growth in demand for smaller cars is expected to outstrip that for most other classes from the latter half of this decade.

VW is working on its own Chico model to meet demand for cheap cars better suited to urban traffic conditions in western Europe and the spending power of people in the former eastern bloc.

At the same time, the German carmaker is continuing development of a super-lean, low-cost manufacturing process introduced by Mr José Ignacio Lopez de Arriortúa, appointed production director after he joined the group in March from General Motors.

Suzuki, in which GM has a small equity stake, had hoped to reap cost-sharing benefits from the mini-car deal and to gain a manufacturing foothold in continental Europe.

Although most of the Barcelona factory's output was to be sold under the Seat marque, some cars were to be marketed under the Suzuki name.

Suzuki makes around 35,000 four-wheel drive vehicles a year at its Santana works in Spain and started making small cars in Hungary last year. Output at the Hungarian works, estimated at 15,000 units in the year to October, is planned to rise to 50,000 in the medium-term.

Andrew Bolger on why the UK business information group has parted with cash

Reuters to buy £350m of its own shares

REUTERS, the international news and information group, is to spend up to £350m ($525m) buying back its own shares in the largest repurchase operation by a British company since the mid-1980s. News of the plan, under which Reuters would take back 5.8 per cent of its equity, sent the shares up 36p to £14.40.

Reuters had planned to unveil the scheme today with interim results. Press speculation forced it to bring forward the news.

Shareholders will receive £14 per share, but tax credits will make it worth as much as £17.25 to tax-exempt gross income funds. The tax credits mean individual shareholders will receive £16.25, but that will be subject to capital gains and income tax.

Reuters had £710m net cash at its December year-end. It promised in March to consider ways of returning cash to shareholders – either by a special dividend or share buy-back.

Sir Christopher Hogg, chairman, said: "Whilst the main purpose of the repurchase is to provide shareholders with the opportunity either to receive a cash distribution or to have an equivalent enhancement of their investment in Reuters, the board believes that all shareholders will benefit from the repurchase since it should lead to an increase in Reuters' earnings per share."

As part of the scheme, the 34 per cent of the group's equity held as American Depositary Shares will also receive a UK tax refund. The tax credit arises because the Inland Revenue views such cash distributions as dividends, on which advance corporation tax is payable, which may be reclaimed.

Sir Christopher said: "The difference between a special dividend and buy-back are quite marked. We like this scheme because it gives shareholders a choice – they can either take the cash, or have an enhanced stake in the company."

Mr Peter Job, chief executive, said: "We have absorbed two messages from shareholders – they want us to continue to invest in the business, but they don't want us to invest just for the sake of investing."

Reuters said its decision followed a review of long-term capital requirements for existing businesses. "A realistic assessment of the timing of these requirements indicated that a sizeable amount of Reuters cash would continue to benefit profits only by virtue of being invested in money markets. Current initiatives and plans could comfortably be funded from Reuters' substantial financial resources.

Editorial comment, Page 19; Lex, Page 20;Stock Exchange, Page 33

One dainty step off a mountain of money

Sir Christopher Hogg said bluntly: "Too much cash is a curse, not a blessing."

The chairman of Reuters Holdings was explaining why the business information and news group had decided to hand back up to £350m of its growing cash pile to shareholders through a share repurchase scheme.

Sir Christopher said he felt "a bit strange" about the operation, which has been months in the planning. "It's rationally sensible, but goes against the grain of conventional wisdom – that managers who don't sit on a cash pile need their heads examined."

He insisted that the decision was brave one: it showed the group was anxious to guard against becoming "sloppy" with cash, and against the risk of not looking hard enough at the performance of existing businesses. "Any fool can spend money, the challenge is to spend it wisely."

Reuters, the leading supplier of information and transaction products to the world's financial centres, has been adjusting to a lower-growth environment after the boom years of the 1980s.

After enjoying compound growth of 25-30 per cent per annum until a few years ago, the group will be content with double-digit revenue growth this year. This means it no longer needs the huge increases in working capital which were required at the peak of the boom.

Sir Christopher said capital expenditure continued to be on a long-term "rising trend". Last year it rose from £148m to £194m, of which £101m was spent on subscriber equipment.

Yet even that increase made little impact on the group's cash pile, which grew from £503m to £710m. Pre-tax profits rose by nearly 13 per cent to £383m – an impressive performance for a company struggling with recession in its main markets.

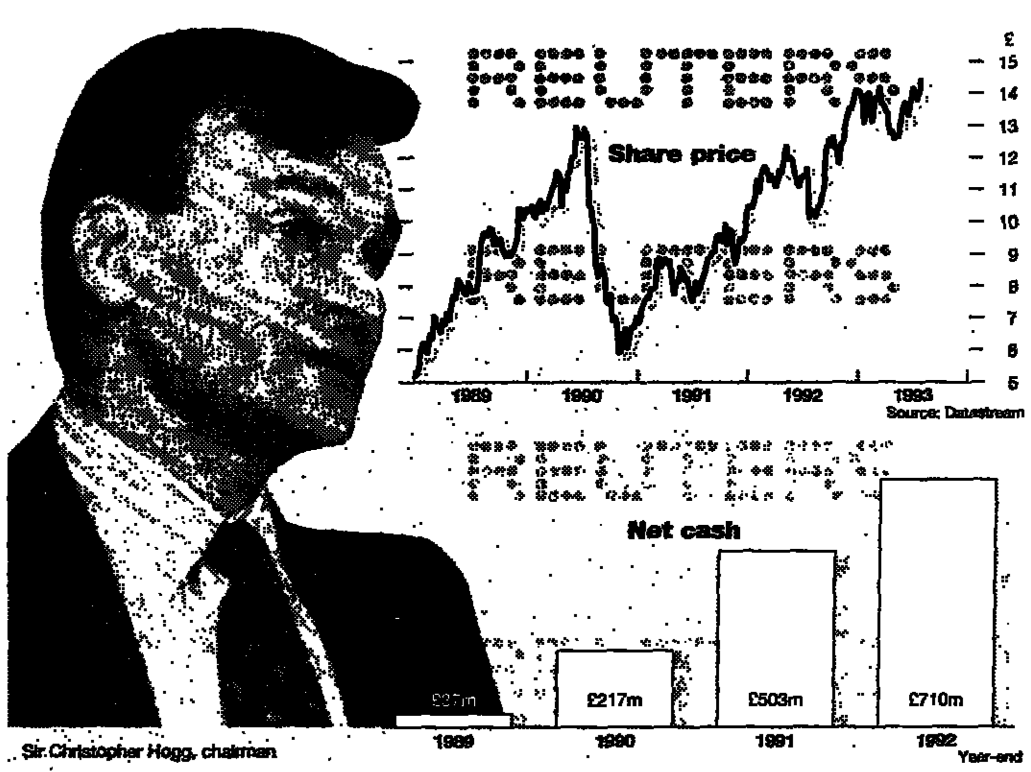
Sir Christopher believes that Reuters should continue to concentrate on specialist markets which allow maximum exploitation of its advanced technology. "Strategy will be unfolded in a measured manner designed to retain Reuters' focus and ensure that its products will continue to be differentiated by their careful targeting and close technical integration."

Mr Peter Job, chief executive, was confident that the group's expertise in news-gathering, database management and global network management made it well placed to meet the growing demand for sophisticated products in the financial services industry and the media. "Timely investments in video news-gathering and dissemination will allow Reuters to make the necessary enhancements to its product line as multi-media technology develops gradually into practical applications."

Reuters last year took full control of Visnews, the international television news agency, renaming it Reuters Television, and has also joined the consortium which owns Independent Television News. Last month it announced plans to launch a Hispanic satellite news service with BBC World Service Television.

The former Visnews offices and the Reuters news bureaux are being combined, with the aim of correspondents being able to file video pictures as well as words. Eventually the 200,000 Reuters screens worldwide will be able to offer subscribers live pictures of occasions which can move the market, such as a major bank rate announcement.

Mr Job said the emerging "multi-media" world offered big opportunities, but also great scope to lose a lot of money, and he was determined to proceed cautiously. "We will limit acquisitions or diversifications to things which add spice to, or leverage, the core businesses."



Sir Christopher Hogg, chairman

Reuters' measured approach also reflects another concern – the group's realisation that it cannot afford to be complacent about its position as provider of financial information and transaction products, which together account for 93 per cent of group revenue.

The UK group maintains a dominant position, but is being increasingly challenged by rivals such as Telerate, Knight-Ridder and Bloomberg, all of which have targeted its blue-chip customer base and high profit margins.

At today's results meeting, Reuters will be quizzed on the progress of its latest products, Dealing 2000-2, which offers automated foreign exchange trading, and Globex, which serves the financial futures and options market.

Champagne doldrums hit LVMH in first half

By Alice Rawsthorn in Paris

LOSSES in the champagne business were the main reason for a 20 per cent fall in net profits at LVMH, one of the world's largest luxury goods groups, in the first half of the year.

The profits figure slid to FFr1.03bn ($175m) from FFr1.29bn in the first six months of 1992.

Mr Bernard Arnault, chairman, last month warned of a fall in first-half profits, but did not specify how steep. However, he also said he hoped that profits would at least be maintained in the full financial year.

News of the profits fall from LVMH comes at a sensitive time for the luxury goods industry, which has been badly affected by recession and changing consumer tastes. Gucci, another leading group, is in turmoil as Mr Maurizio Gucci, chairman and grandson of the founder, struggles to break the deadlock on control of the company.

LVMH, which owns a string of prestigious products including Christian Dior perfumes, Hennessy cognac and Louis Vuitton luggage, increased sales by 3.6 per cent in the first half to FFr10.04bn.

Turnover rose in every area of activity except champagne. The champagne division, including the flagship Moët-et-Chandon brand, saw sales fall 7.4 per cent to FFr1.8bn and made a net loss of more than FFr100m due to weak demand and rising raw material prices.

Perfume was the strongest sector with sales rising 12.4 per cent to FFr2.86bn, reflecting the success of new products such as Dior's Dune and Givenchy's Amarige. Luggage sales rose 4.6 per cent to FFr2.43bn with cognac and spirits sales up 2.3 per cent to FFr2.55bn.

Bernard Arnault, chairman

Although losses from champagne were the main cause of LVMH's first-half difficulties, the group also suffered from the impact of the strong franc on its international interests, particularly in the UK where sterling weakened against the franc following the September currency crisis.

Gucci deadlock, Page 22

BMW chairman in profits warning as sales slide 9%

By Christopher Parkes in Frankfurt

SALES AT BMW, the German luxury car manufacturer, fell 9 per cent to DM14.7bn ($8.5bn) in the first half of this year, and profits suffered from the "known leverage effects" of such a decline, according to Mr Bernd Pischetsrieder, group chairman.

Even so, the group had to reduce production by only 10 per cent to 275,000 units, while the German motor industry overall had cut output by a quarter, he said.

At the same time, BMWs were the most sought-after cars in their class in western Europe, he said, and the group had managed to adapt output without short-time working, which has been widespread in other companies.

Earnings figures, and more details of Mr Pischetsrieder's plans, are expected to be announced tomorrow. In the first half of last year, the group earned a net DM421m on sales of DM16.2bn. Analysts expect full-year profits of around DM500m, compared with DM726m in 1992.

Mr Pischetsrieder, who took charge of the group in May, indicated that he wanted to build world market share – currently 1.7 per cent – and improve efficiency so "we can earn money with sales of 500,000".

Last year, the group delivered 595,000 cars to distributors.

At present the group has capacity to build 560,000 cars a year in Germany. The planned opening of a new works - its first outside Germany - in South Carolina in 1995 will increase the total by 70,000, or 13 per cent.

Mr Pischetsrieder also suggested that the group might attempt to build its international position by making cars smaller than its current entry-level models, the 3-Series.

For the present its most important projects were the US works and building sales in south-east Asia and China.

Volume sales rose 23 per cent in the US in 1992, contributing 11 per cent of group turnover.

St James's pays out £137m

By Maggie Urry in London

ST JAMES'S Place Capital, the UK financial group, is to give shareholders its 37.6 per cent stake in RIT Capital Partners, worth £104m ($156m), plus £32.7m in cash, in a move which will disentangle Lord Rothschild's two companies.

The distribution – subject to shareholder and court approval – was announced by Lord Rothschild and Sir Mark Weinberg, joint chairmen of SJPC, at yesterday's annual meeting.

By giving the stake in RITCP to shareholders, SJPC is indicating that it will become a more focused financial services group rather than an investment company, said Mr Clive Gibson, a SJPC director.

SJPC would look at acquisitions in the financial services area and also be ready to put more capital into its existing businesses, he said.

Rises in SJPC and RITCP's asset values since the March 31 year-end were also announced. SJPC's net asset value had risen from 107.7p to 123.4p a share or £335m, while RITCP's had gone up from 181.1p to 195.6p or £417m.

The RITCP stake is SJPC's largest investment, representing 27 per cent of year-end assets. SJPC's other interests include insurance, through its stake in J. Rothschild Assurance; fund management, through J. Rothschild Investment Management, and J Rothschild Capital Management – which manages the RITCP portfolio – and a 29.7 per cent stake in Global Asset Management; and in investment banking.

RITCP is an approved investment trust. It recently sold most of its largest investment, a holding in Newmont Mining, which was worth £130m in March.

Midland to buy TSB leasing arm

By John Gapper, Banking Correspondent

TSB GROUP of the UK yesterday continued its disposal of businesses outside its retail banking core by agreeing to sell Swan National Leasing, its vehicle contract hire business, to the leasing arm of Midland Bank.

Forward Trust Group, the Midland subsidiary, will pay £182.5m ($273.75m) for SNL. The sum includes £57.9m for the assets and £124.6m to repay debt finance provided to the leasing business by TSB.

The deal follows a setback last week in TSB's disposal programme, when it disclosed it had failed to agree a selling price to place its estate agencies in a joint venture with National & Provincial Building Society.

The move leaves TSB with the Eurodollar car rental business of SNL, which may be sold through a management buy-out.

TSB has also been trying to dispose of its Hill Samuel investment banking arm.

TSB would make an exceptional gain on the sale of £30.8m this year, as well as releasing £57.9m in capital.

It would have to deduct a "relatively small" amount from the profit figure as an adjustment to goodwill written off in reserves.

TSB has signalled that it intends to dispose of a variety of non-core businesses in order to return to its retail banking roots, from which it diversified unprofitably after its flotation in 1987.

Lex, Page 20

Stronger franc hits Moulinex exports

By Alice Rawsthorn in Paris

MOULINEX, one of France's largest manufacturers of kitchen appliances, stayed in the red during the first quarter of this year with a pro forma net loss of FFr16m ($2.7m), against FFr90m in the same period of last year.

The group, which has been burdened by heavy debts since the takeover two years ago of Krups, its German competitor, has been badly affected by the slowdown in the European electrical appliances market, where it faces fierce competition from the multinational electronics groups.

The first-quarter loss, which follows the announcement earlier this year that Moulinex fell into a net loss of FFr115m in 1992 from net profits of FFr171m in 1991, reflects both competitive market conditions and the impact on exports of the French franc's strength since the September currency crisis.

Turnover rose by 4 per cent in the first quarter, but fell by 10 per cent to FFr1.83bn in the second quarter, producing a fall in sales of nearly 4 per cent to FFr3.69bn for the first half of 1993.

The deterioration was mainly due to economic instability, and adverse exchange rates in Italy, Spain and the UK, which account for one-fifth of total sales.

However, Moulinex – which has changed its year-end from December 31 to March 31 – managed to increase sales in France, Germany, the US (for the Krups brand) and eastern Europe.

● Credit Agricole and Banque Sofinco, a subsidiary of Suez, have agreed to collaborate in the area of consumer credit, Reuter reports from Paris.

Credit Agricole plans to launch a revolving credit product attached to a bank card and Sofinco will provide the expertise to manage the business. The deal is initially to run for five years, after which Credit Agricole may take a stake in Sofinco. Suez will retain majority control of Sofinco.

Gucci chief moves to end deadlock

By Haig Simonian in Milan

MR MAURIZIO Gucci, chairman and joint shareholder of Italy's Gucci luxury goods group, yesterday offered to sell his 50 per cent stake or buy out the Investcorp banking group, the joint owner, in an attempt to break the deadlock facing the company.

"Let's put our bids in two sealed envelopes. Whoever offers the larger amount can have the other partner's shares", he suggested.

Last week, Investcorp initiated legal proceedings in the US in an effort to raise the pressure on Mr Gucci, whom it accuses of mismanaging the company.

The Bahrain-based bank also won a temporary freeze on Mr Gucci's shares.

Mr Gucci, who announced unspecified legal actions against Investcorp in Italian and other courts, accused Investcorp of deliberately damaging the company in an attempt to force him to sell his holding.

He said that relations between the two partners, which share control of the group founded by his grandfather 70 years ago, had virtually broken down over the past seven months.

Mr Gucci declined to speculate on why Investcorp had blocked decision-making at the group, which is facing serious difficulties. Mr Gucci said Investcorp had gone so far as to obstruct attempts to secure repayment of L104bn ($64.8m) due to Gucci's Italian holding company from its US subsidiary. As a result, the holding company's balance sheet had deteriorated from being L19.1bn in credit with banks to a L85bn deficit at the end of last April.

Mr Gucci denied that he had been forced to pledge his shares to obtain bank loans. According to Investcorp, such actions would have invalidated the shareholders' agreement between the two parties.

The agreement gives either side the right of first refusal in the event that the shares change hands.

Mr Salvatore Sanso, a lawyer for Mr Gucci, admitted to "problems" earlier this year, but asserted that control of the Gucci shares had never been lost and there was no question of their ever having been pledged to a bank.

Fog clears from Montedison loss

Haig Simonian reports on the allegations surrounding the group

SHAREHOLDERS crowding into the glass-topped ground-floor assembly hall of Montedison's Milan headquarters last month were shocked to discover their group, already rocked by revelations of higher-than-expected borrowings, had lost L435bn ($271m) more than previously revealed.

No adequate reasons for the higher loss, revised upwards to L1,679bn from L1,244bn, were given. The only comment from Mr Carlo Sama, then Montedison's managing director, was that the additional figure stemmed from a credit by Financing and Investments, a hitherto-unknown Curacao-based subsidiary, which had proved to be "irrecoverable".

In the four weeks since then, Mr Sama has landed in jail, accused, like three others arrested over the weekend, of falsifying company accounts and illegal political funding. Meanwhile, Mr Gabriele Cagliari, the former chairman of the state-owned Eni energy and chemicals group, and Mr Raul Gardini, the former head of the quoted Ferruzzi Finanziaria (Ferfin) holding company, which controls Montedison, have committed suicide.

The link is Mr Giuseppe Garofano, the former senior Ferruzzi and Montedison executive who returned from hiding earlier this month to give himself up to Milan magistrates investigating political corruption.

Mr Garofano has sketched a diagram of both political and corporate corruption, which in the case of the ill-fated Enimont joint venture between Eni and Montedison, clearly overlapped.

His testimony, widely leaked and believed to be reliable, may have influenced Mr Cagliari's decision and almost certainly affected that of Mr Gardini, who would have been arrested along with Mr Sama and the others had he not apparently commited suicide.

According to Mr Garofano, much of Montedison's extra L435bn loss stemmed from financial transactions designed to cover up heavy commodity trading losses incurred by the Ferruzzi group in 1989.

That was when Ferruzzi, then run by Mr Gardini, was forced by the Chicago Board of Trade, the world's leading futures exchange, to unwind huge positions in 1989. The US Commodity Futures Trading Commission demanded the operation as they claimed Ferruzzi had been trying to corner the market in soyabean futures. If successful, it could have forced other traders into making highly expensive purchases of soyabeans, whose price was already rising as a result on the cash market.

The clash with the CBOT left Ferruzzi nursing a $2m fine and a $150m trading loss incurred from unwinding positions. The impact was reflected in Ferfin's 1990 accounts.

However, Mr Garofano's testimony suggests the actual loss was actually about $350m to $450m. To hide its true size, Mr Gardini allegedly authorised a financial window-dressing by which the non-declared losses were shifted off Ferfin's balance sheet and parked with obscure, non-consolidated Montedison subsidiaries. The losses were masked by "back-to-back" financial transactions with so far unnamed banks, which lent money to cover the gap in the accounts.

The reason the loss suddenly appeared last month was because of Ferfin's mounting financial difficulties. In late May, the company and the controlling Ferruzzi family called in five big Italian banks to restructure the affairs of the group, now facing borrowings of about L31,000bn. One of the first moves by the banks, perhaps aided by tip-offs, was to pick through the group's accounts, leading to the discovery of the irregularities in Montedison's balance sheet.

The Chicago debacle is only one, though perhaps the biggest - of a number of irregularities disclosed by Mr Garofano. His leaked testimony suggests the Enimont joint venture was a source of huge kickbacks to Italy's political parties.

Magistrates unpeeling Italy's political corruption scandal over the past 17 months have increasingly suspected that Enimont lay close to the core. The doubts have focused on the circumstances surrounding the creation of the group, owned 40 per cent each by Montedison and Eni, with the remainder floating, and its termination in November 1990.

Mr Garofano's allegations, published yesterday in a weekly news magazine after an extract was released last Thursday evening, focus on the creation of a L80bn to L100bn pool of off-balance sheet funds, created through undeclared capital gains on certain property transactions. These were allegedly used to finance donations to political parties via Eni as part of the deal by which Montedison sold its stake in Enimont to its public-sector partner.

The allegations also suggest members of the Ferruzzi family may have been cavalier in distinguishing between moneys attributable to Serafino Ferruzzi, the ultimate family holding company, which owns about 48 per cent of Ferfin, and the accounts of the public companies.

Though the sums involved are much smaller than those linked to the kickback allegations over Enimont, the allegations recall similar claims about other corporate collapses, such as the Maxwell group or Polly Peck in the UK, where a quoted group was dominated by a single family shareholder.

CONTRACTS & TENDERS

Chevron profits slide to $50m as charges take toll

By Richard Waters in New York

PROFITS at Chevron, the US energy group, have been hit by restructuring charges of $552m to cover the proposed disposal of two refineries and 200 service stations. The group was left with net income for the second quarter of $50m, or 15 cents a share, down from $315m, or 92 cents, a year ago.

Before net special charges of $515m, earnings rose to $565m from $354m in the same 1992 period on a comparable basis, on turnover down from $10.5bn to $9.9bn.

Chevron has moved further than most other large US oil and gas groups in cutting costs to counter the over-capacity in the US refining business.

Mr Ken Derr, chairman, said average costs in the first half were $6.54 a barrel, 87 cents lower than in 1991 and ahead of the company's target cost reductions.

Second-quarter operating results were supported by a rise in US exploration and production earnings, to $207m from $121m (or $146m before special charges), helped by the higher natural gas prices. Higher prices have bolstered the profits of all the big US energy groups.

International upstream earnings fell to $142m from $157m as a result of special charges, though they were $17m up, at $147m, before charges.

US refining and marketing returned a loss of $507m due to the restructuring charges, though Chevron said sales margins had improved, especially in the south-east.

International downstream earnings jumped from $42m to $107m, helped by a $13m contribution from a disposal and by higher margins and sales.

Earnings from chemical operations were flat at $6m, before a $135m gain on the sale of the group's Ortho lawn and garden products business.

Net income for the first half, at $551m, was down from $655m last time, before the effects of accounting changes. Leaving aside special charges in both periods, earnings rose from $607m to $1.068bn.

● Second-quarter net income at Phillips Petroleum rose to $121m, or 46 cents a share, from $100m, or 38 cents, a year ago. The advance was attributed to higher natural gas prices and lower worldwide exploration expenses.

Earnings were held back by $16m of charges related to litigation claims and foreign currency losses, compared with special credits of $10m in the 1992 quarter.

First-half net income of $182m ($194m before special charges) compared with a loss before accounting changes in the first six months of 1992 of $5m (a profit of $61m after leaving aside one-off charges).

Mr CJ Silas, chairman, warned: "Natural gas and crude oil prices have declined recently, and downstream margins continue to be depressed."

American Cyanamid turns in $166m loss

By Paul Abrahams

AMERICAN Cyanamid, the US bioscience group, suffered a pre-tax loss of $166m for the second quarter, compared with pre-tax profits for the same period last year of $228m.

The loss was the result of an exceptional charge of $378m for the acquisition of a 53 per cent stake in Immunex Corporation, the pharmaceuticals company that specialises in cancer treatments.

The loss per share was $2.54, compared with earnings of $1.62 in the second quarter last year.

Sales increased 2 per cent from $1.48bn to $1.51bn for the quarter. This was in spite of the strength of the dollar against European currencies, which reduced sales by about 2 per cent.

Turnover of the healthcare division, which includes its pharmaceuticals subsidiary Lederle, fell during the second quarter. Although sales of vaccines increased, sales of consumer health products fell because of the strong dollar and lower sales of Prostep, the transdermal patch used to help stop people smoking.

Worldwide sales of the agricultural group rose during the second quarter compared with last year, mainly because of increased sales of crop protection products. Pursuit and Scepter, two herbicides for soyabeans, did particularly well. American Cyanamid intends to acquire Shell's crop protection business.

The chemicals division reported lower turnover, reflecting a programme of disposals in recent months. Operating income also fell because of the introduction of new accounting procedures for post-retirement benefits.

Research and development spending increased from $278.9m for the first six months last year, to $301m for the same period in 1993.

Latin American TV sheds parochial image

Television networks in the region have been converging, writes Damian Fraser

WHEN Mr Ricardo Salinas Pliego, the new owner of Mexico's television networks Seven and 13 was asked how he would compete with Televisa, the country's large media company, he quickly turned to the subject of help from foreign partners, such as NBC, Telemundo, Fox, TV Globo of Brazil and Radio Caracas Television of Venezuela.

A decade ago, Mr Salinas's reply might have seemed odd.

Latin American television companies were parochial affairs, best known for their soap operas and lengthy coverage of presidential speeches. They bought plenty of programmes from each other, but each country's market remained distinct.

However, television in the region has converged. The spur has been new technology which enables programmers to broadcast cheaply throughout the region, and the growing marketing clout of Televisa and TV Globo.

It is possible to travel from Chicago to Buenos Aires and watch the same Spanish-language news; Brazilian, Mexican, or Venezuelan soap opera; or Cuban-American talk shows.

However, the inter-change of programming is far from complete since programmes being beamed across borders still face both political and cultural problems.

During the recent troubles in Guatemala, Televisa's Echo news programme, the main source of news, was briefly blocked by the government and its offices fired on by machine guns.

Frank discussions of teenage sex and other sensitive issues by the Cuban-American talk show host Cristina, while perfectly normal in Miami, have caused some outrage in Mexico.

Televisa, which has about 90

per cent market share in Mexico, is the main force behind the regionalisation of programming.

It has bought stakes in leading television stations in Peru, Chile, and the US (through Univision) and half of PanAmSat, the satellite company in the Americas.

In addition, it has production agreements in Argentina and Venezuela, and has formed a joint venture with TCI of the US, the world's largest cable operator, to promote cable and satellite television in the region.

The alliances enable Televisa to earn about twice as much from selling its programmes as it makes from offering them in an open market, and keep potential competitors from selling programmes in its home market in Mexico.

Thus, soon after Televisa bought its stake in Univision, the US network pulled a successful soap opera from Televisa's rival station in Guadalajara, Mexico's second-largest city.

Televisa's stakes throughout the region are putting pressure on rivals to form their own alliances.

Hence, Mr Ricardo Salinas's overtures to practically every Hispanic competitor of Televisa.

The logic is that unless Channels Seven and 13 have access to the same variety of programming enjoyed by Tel-

evisa, they are unlikely to be able to compete effectively.

Mr Salinas said that initially his two networks would have to buy in a lot of their programmes. He is unlikely to limit his buying to any single source, but rather seek links with several companies.

Mr Joaquin Blaya, head of Telemundo, the US Spanish language network, is particularly keen to be one of those partners, in part to help his company compete against Univision, which he used to run before Televisa took its 25 per cent stake.

The spread of cable and satellite television in Latin America has encouraged still more programme-swapping in the region.

Although only about 3m Latin American homes are connected to cable or satellite, these are the richest consumers, most likely to buy new cars and consumer durables. As the cost of the technology falls, the market is expanding rapidly.

Programmers who once would have ignored any one market as too small, can reach several with one transmission.

With the Hispanic market in the US rising, companies such as Time Warner and CNN of the US have started to produce their own Spanish-language programmes. There are more than 20m Hispanics in the US, and in 10 years they are expected to be the US's largest minority.

Recently, four US film studios and Multivision, Televisa's wireless cable rival in Mexico, launched a Latin American Spanish-language film channel, CineCanal while Miami-based International Television has created a cable channel specifically for Hispanic women.

NBC and CNN are providing their Spanish-language news; and MTV is about to launch a pan-American Spanish-language version of its music and video programme.

Telefonos de Mexico rises 12.9%

By Damian Fraser in Mexico City

TELEFONOS de Mexico (Telmex), Mexico's telephone monopoly, recorded a strong 12.9 per cent increase in profits in real terms for the second quarter after a pick-up in long-distance and local telephone traffic.

The group earned second-quarter net profits of 2.089bn pesos ($674m), compared to 1.851bn pesos in the second quarter last year. It posted revenues of 5.973bn pesos, an 8.6 per cent increase in real terms.

"The figures are encouraging. Given weak economic growth, the increase in national long distance volumes and general increase in revenues was impressive," said Mr Neil Perry, head of research at Baring Research in Mexico City.

Telmex's local call revenues grew by 17.8 per cent, compared with 11.2 per cent in the first quarter.

National long-distance revenues increased by 4.7 per cent, and international long-distance revenues were up by 2.8 per cent.

The better-than-expected revenues offset a slight decline in operating margins, caused by wage increases in April and rises in maintenance costs.

Telmex suffered exchange losses of 110m pesos in the second quarter, more than double losses in the first quarter, mainly because of continued weakness of the peso against the yen.

Telmex installed 184,000 lines in the second quarter, bringing total lines in service to 7.08m, 11.5 per cent more than the second quarter last year. Its cellular subsidiary nearly doubled its subscribers to 191,304.

Campbell Soup plans large post-tax item

By Karen Zagor in New York

CAMPBELL Soup, the US food group, has warned that its 1993 earnings would include significant after-tax charges to reflect new accounting standards.

The company, which reports its fiscal year-end results in September, said it was adopting three new accounting standards.

The cumulative one-time charge against earnings will be between $247m and $260m, or 98 cents to $1.03 a share. In addition, it will take its standard annual charge to earnings for employee medical benefits which will stand at $18m, or 7 cents, in 1993.

Mr Frank Weise, chief financial officer, said Campbell would have a very strong balance sheet and credit rating even after the non-cash charges.

In fiscal 1992, the company posted net earnings of $490.5m on sales of $6.26bn.

Campbell's is adopting FAS 106 accounting for post-retirement benefits other than pensions, FAS 109 accounting for income taxes, replacing FAS 96 and FAS 112 accounting for post-employment benefits.

● Philips Electronics has filed a shelf registration with the US Securities and Exchange Commission for up to $1.5bn of debt securities.

Net proceeds will be used to repay debt of the Philips Group and for general corporate purposes.

No underwriters were listed in the filing.

ITT finance unit raises $2.7bn

ITT's financial unit has launched a tender offer to holders of 18 series of its notes and debentures with a total principal amount of $2.7bn, agencies report from New York.

The US group said the purpose of the transaction was to reduce fixed-rate debt after the recent sale of its domestic unsecured consumer loan portfolio on June 3.

INTERNATIONAL COMPANIES AND FINANCE

French bank names new MGM head

By Martin Dickson in New York

CREDIT Lyonnais, the French bank which owns Metro-Goldwyn-Mayer, has brought in a new chairman and strengthened finances at the Hollywood film studio in preparation for MGM's eventual sale.

The new chairman and chief executive is Mr Frank Mancuso, former chairman of Paramount Pictures. He takes the place of Mr Alan Ladd Jr, who was ousted on Sunday after more than two years running MGM.

Mr Mancuso, 60, is a heavyweight member of the Hollywood establishment who spent 30 years at Paramount but quit in acrimonious circumstances in 1991 when a new president was given effective control over the studio.

Crédit Lyonnais took control of MGM in 1992 after foreclosing on loans it made to Mr Giancarlo Parretti, an Italian entrepreneur, who bought the company in 1990 for $1.3bn.

It has also announced three steps to improve the studio's finances and support an expanded programme of film and television production.

MGM Holdings Inc, the holding company that the bank set up to own MGM, will assume some $800m of the studio's $1.1bn of bank debt.

The studio will cut its interest expenses by redeeming $221m of debentures held by MGM Holdings, and will fund this substantially by selling its cinema assets to the holding company. The cinema chain is one of the largest in Europe, with more than 400 outlets.

The bank is also increasing the studio's credit line to $400m from $190m.

Mr Francois Gille, director general of Crédit Lyonnais, said the financial moves would give MGM a debt-to-equity ratio of about 1:2 and the flexibility to "pursue a full business agenda".

This includes revival of the studio's dormant film company, United Artists, to give MGM two production arms.

The deal was largely put together by Mr Michael Ovitz, head of Hollywood's powerful Creative Artists Agency, who was retained earlier this year to advise Crédit Lyonnais.

US law forbids banks to hold equity stakes in companies except in exceptional circumstances, and Crédit Lyonnais has until 1997 to dispose of the studio.

Mr Gille said that before it did so it was "committed to fully rebuild MGM as the best way to maximise the value of our investment".

Loss at Zenith deepens to $24m

By Karen Zagor in New York

ZENITH Electronics, the sole surviving US manufacturer of television sets, yesterday unveiled a second-quarter net loss of $24.7m, or 79 cents a share.

A year earlier, the company suffered a net deficit of $15.2m, or 52 cents, including royalty income of $13m and a special tax credit of $4m. In the 1993 quarter, royalty income was $5m.

Sales slipped slightly to $274.7m from $280m a year earlier.

Increased shipments of colour televisions in the latest quarter were offset by declining shipments of other electronics products.

Although the company said it was still feeling the impact of industry price cuts for colour televisions last year, it benefited from higher sales volume and corporate cost reductions.

Zenith also said colour television prices had remained relatively stable this year.

The company said its operating loss, stripping out royalty income, narrowed to $26m in the 1993 quarter from $29m the previous year.

For the fist six months, Zenith recorded a net loss of $46.5m, or $1.51, on sales of $565.2m, against a deficit of $43.8m, or $1.50, on sales of $545.2m in the same period of 1992.

Improvement at Cummins disappoints Wall Street

By Karen Zagor

CUMMINS Engine, the world's largest independent manufacturer of diesel engines, yesterday disappointed Wall Street with its second-quarter results and the outlook for the third quarter. This was in spite of a substantial improvement in earnings.

For the three months to July 4, the company earned $48.2m, or $2.65 a primary share, compared with profits of $18.8m, or $1, a year earlier. Sales grew to $1.09bn from $948.1m.

Cummins is benefiting from improving markets as the US claws its way out of recession. It said second-quarter sales were higher than in the first quarter in most of its important markets, including engines for North American heavy-duty and medium-duty trucks and for industrial equipment.

On the other hand, sales of engines for light commercial vehicles fell in the quarter, and the company was also hurt by weakness in several international markets, especially Mexico.

Cummins said it expected third-quarter earnings and sales to trail earnings and sales in the first two quarters of 1993.

Sales to Chrysler are expected to fall sharply in the third quarter due to the changeover to the new T300 Series Dodge Ram.

Sales to some international markets are expected to remain weak, and third-quarter results are seasonally-affected by holiday shutdowns by Cummins and its biggest customers.

The outlook disappointed investors, who have been bullish about the company since April, when Cummins unveiled a strong improvement in earnings and forecast even better second-quarter profits.

On Wall Street, shares in Cummins tumbled $4 to $85 at mid-session. Most analysts had expected earnings of $2.68 a share in the latest quarter.

For the first half of 1993, the group earned $89.3m, or $4.87, compared with a deficit of $227.3m, or $14.69.

Stripping out the impact of a $251.1m charge for accounting changes in the first six months of 1992, Cummins earned $23.8m, or $1.25 last year. Sales advanced to $2.14bn from $1.83bn.

Low prices hurt US paper group

STONE Container, the US paper and packaging group, yesterday reported a deeper second-quarter loss, saying it continued to be hurt by poor pricing conditions for most of its products, Reuter reports.

It said that, except for recent improvements in newsprint prices, it was unable to raise prices for other products. Prices of most of its other products declined in the first half of 1993, the company said.

The second-quarter net loss was $71.6m, or $1.03 a share, compared with a net loss of $40.7m, or 60 cents, a year earlier. Revenues were $1.27bn, down from $1.37bn last time.

"Even though linerboard has been under discounting pressure recently, we believe that conditions are favourable for price recovery beginning as early as this fall and perhaps lasting for a period of years," Mr Roger Stone, chairman, president and chief executive officer, said.

"Clearly, since the majority of our revenues are derived from this product line, we are looking forward to this favourable development," he added.

The company said it planned to shut down temporarily six of its mills in the US and Canada.

The mills are scheduled to resume production during the third quarter, it added.

Inco offsets slump in nickel

By Bernard Simon in Toronto

LOSSES at Inco, the international nickel producer, were virtually unchanged in the second quarter. A further slump in nickel prices was offset by improved results from the company's alloys business, lower interest charges and favourable currency movements.

The Toronto-based company suffered a loss of $2.2m, or 3 cents a share, in the latest period, compared with a $1.5m loss, also 3 cents a share, a year earlier. Revenues slipped to $608m from $681m, due largely to a 12 per cent fall in primary metal sales. Interest charges edged down to $25.2m from $27.5m and tax payments were also slightly lower.

Operating earnings of the primary metals division dropped to $31m from $46m. The price of nickel realised during the quarter fell by 16 per cent to $2.93 per pound, while copper, cobalt and rhodium prices were also lower.

However, unit production costs for nickel were 9 per cent lower in the second quarter. Inco does not disclose precise cost levels. The company said the drop reflected reduced employment costs and the weaker Canadian dollar.

The alloys and engineered products division, which is in the middle of a restructuring, turned a $5m loss last year into an operating profit of $4m. The improvement was ascribed to lower operating costs and higher alloy shipments.

Finished nickel inventories rose to 71m lb on June 30 from 67m lb three months earlier. However, the company said stocks were likely to drop during the current quarter as a result of summer shutdowns at its Ontario and Manitoba operations.

Third-quarter earnings will be boosted by Inco's recent sale of its 62 per cent stake in TVX Gold, a gold producer. The sale has brought an after-tax gain of about $125m, or $1.14 a share, which will be used to reduce debt and for "general corporate purposes".

Long-term debt totalled $972m on June 30, down from $1.08bn a year earlier.

Loral venture wins $400m deal

By Daniel Green

SPACE Systems/Loral, the Californian joint venture between Loral of the US and four European aerospace companies, has won its biggest contract for more than a year, worth $400m, to build two direct broadcasting satellites.

The deal is the first for the company in direct broadcasting satellites.

It marks a breakthrough for Loral and its European partners, Aérospatiale of France, Deutsche Aerospace, and Italy's Alenia, in their efforts to challenge Hughes Aircraft and GE, the US companies which dominate the satellite construction business,

The buyer of the two satellites is Tempo, a subsidiary of Tele-Communications (TCI), the Colorado-based company that is the world's largest cable television operator.

The contract includes risk management and the launching of the satellites.

The satellites will be delivered in orbit in June and October 1996 and will serve television viewers in the US.

Their arrival in service will increase competition in the still young US direct broadcasting market, which is less developed than Europe's.

The first direct broadcasting services in the US are scheduled to start next year with a Hughes satellite.

Space Systems/Loral is 32.7 per cent-owned by Loral, 21.3 per cent by Lehman Brothers, the New York securities house, and 12.25 per cent by each of the European partners.

Saudis take Dutch terminal stake

TEXACO of the US is selling a large part of its stake in a Rotterdam crude oil terminal to Saudi-controlled Aramco Overseas, giving the Saudis their first foothold in European storage facilities, AP-DJ reports from Amsterdam.

Texaco Raffinerderij Pernis said it would reduce its stake in the Rotterdam-based Texaco/Esso Maatschap Crude Oil Terminal, a joint venture formed in 1962 by Esso Nederland and Caltex Petroleum Maatschappij Nederland.

Aramco Overseas, a wholly-owned subsidiary of Saudi Arabian Oil Company, will acquire a 34.35 per cent stake in the storage facilities, marking the group's move toward a more permanent presence in Europe. Previously, the company had used only of leased storage capacity.

Through the deal, Aramco would add an additional 6m barrels of storage capacity in the area to the 5m barrels the company leases from Paktank in Rotterdam.

The sale would leave Esso with a 42.85 per cent share, and Texaco with a 22.8 per cent stake, Texaco said.

A new company will be formed to operate the terminal, which receives, stores and pumps crude oil for the Esso refineries in Rotterdam and Antwerp. The storage facilities can hold up to 17m barrels of crude oil.

Texaco said the proposed sale was meant to bring TRP's storage facilities into line with operating requirements. Those requirements have been reduced since 1989, the company said, when Texaco formed its Netherlands Refining Company joint venture with the British Petroleum.

This venture links two refinery sites, at Pernis and Europoort.

Arvin builds up European side

US MOTOR components multinational Arvin Industries is to strengthen its presence in the European market for vehicle suspension systems through an Italian joint venture using technology from Japan, writes John Griffiths.

Arvin is buying, for an undisclosed sum, a 49.9 per cent stake in Way Assauto, which produces suspension struts, shock absorbers and stampings at Asti, near Turin. It is Italy's largest shock absorber manufacturer.

Upjohn moves into China

UPJOHN of the US has formed a joint venture to manufacture pharmaceuticals in southern China, AP-DJ resports from Beijing.

Mr Ley Smith, the company's president, said the company would invest an initial $30m to build a plant in the city of Suzhou, 90km west of Shanghai.

Production of antibiotics, steroids and healthcare products is scheduled to begin in 1996.

The Michigan-based company will own 75 per cent of the joint venture, while the Chinese partner, Suzhou Pharmaceutical Factory No 4, will own 25 per cent. The factory will have a western general manager and 200 Chinese employees.

Mr Smith said that, initially, almost the entire production of the plant in Suzhou would be used for the Chinese market. "As the business grows it's quite possible that some of the products may be exported," he said.

This is Upjohn's first important project in China, and others are planned.

BCE arm warns on provisions

MONTREAL Trustco, the financial services arm of BCE, recorded a second-quarter loss of C$22.8m (US$17.5m) after special charges, against a deficit of C$58.5m a year earlier after special items, writes Robert Gibbens.

The company warned that further special provisions were likely in the second half.

MT is one of BCE's last two non-telecommunications assets and may be sold soon. Talks have been held with at least two Canadian banks.

Norsk Hydro surges in face of prices pressure

By Karen Fossli in Oslo

NORSK HYDRO, Norway's biggest stock market listed company, yesterday reported a surge in first-half net income to NKr2.63bn ($361m) from NKr903m a year ago, despite difficult market conditions and pressure on prices in all operating segments.

The sharp improvement was due to a pre-tax gain of NKr2.5bn from the disposal of Hydro's 38.3 per cent stake in Freia Marabou, Scandinavia's biggest chocolate maker, which yielded proceeds, plus interest, of NKr3.6bn.

Hydro's performance was also helped by lower production costs, higher crude oil production and a stronger dollar. Nevertheless, the group's result was below analysts' average forecast of NKr2.9bn. Second-quarter net income increased to NKr2.128bn from NKr686m last year.

Group first-half revenue rose by NKr1.487bn to NKr32.262bn and increased in the second quarter by NKr680m to NKr15.797bn.

First-half operating income improved by NKr511m to NKr2.364bn, while rising in the second quarter by NKr113m to NKr923m.

"In spite of very adverse market conditions we have been able to improve our operating figures as a result of reduced costs and the stronger US dollar," said Mr Egil Myklebust, president and chief executive.

First-half foreign exchange losses widened to NKr360m from a loss of NKr1m in the same period last year. The group's financial position strengthened significantly as a result of the Freia Marabou disposal and the issue of $300m and NKr1.1bn debentures.

"The proceeds of these loans and the sale of shares on Freia Marabou will be used to repay medium-term bank loans," Hydro said. Group debt was reduced by NKr4bn to NKr23.2bn at the end of the second quarter from end-1992.

Vard set to spin off ferry unit

VARD, the Norwegian cruise and ferry group, is expected shortly to spin off its ferry business, for which it will seek a listing on the Oslo bourse, writes Karen Fossli.

The move follows the end of negotiations, which have lasted four months, aimed at selling the ferry business for NKr1.1bn ($151m) to a group of foreign investors led by Union Bank of Switzerland.

Under the deal, Vard would have retained a 20 per cent stake in the operation. It said yesterday it had ended the talks because the terms would have been unsatisfactory given the earnings prospects of its two ferry lines, Larvik Line and Scandi Line.

Vard is now looking at ways to convert some of the ferry business's debt to kroner from dollars and transfering a portion of that debt to the newly-created unit.

China threatens to become Hong Kong's nemesis

Simon Holberton and Peter John examine growing unease over the mainland's rapid economic growth

SOME brokers and property agents in Hong Kong are wondering if China, the force behind the vertiginous heights to which Hong Kong's stock and property markets have risen, will prove the colony's financial nemesis.

Less than a month into the Chinese government's attempt to dampen economic activity on the mainland it is still too early to say if the Beijing authorities will succeed. Equally difficult is measuring the impact on Hong Kong's stock and property markets of such success.

For the past year mainland Chinese investors have been a large source of the liquidity that has buoyed asset prices in the colony. For that reason it has not been lost on Hong Kong's financial community that one of the prime targets of the mainland's current economic policy is speculative stock and property market investment.

In the past six months companies in Hong Kong, especially mainland-backed companies, have raised HK$40bn (US$5bn) in new equity, excluding warrants. Last year, companies raised HK$70bn including warrants. Much of this money has been raised specifically for China, underlining Hong Kong's growing importance as a supplier of capital to the mainland.

However, rapid economic growth in China has brought in its wake resurgent inflation which the mainland authorities have taken measures to suppress. This has done two things: made people think twice about the near term growth prospects for China, and made them ask how much mainland money has been coming into Hong Kong.

Ms Janice Wallace, head of research at Goldman Sachs, says: "If these guys start taking their money home then we will feel it. Liquidity is the real threat to this market."

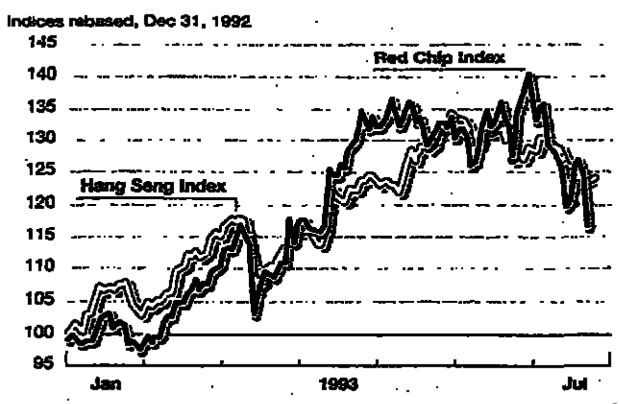
China-related stocks – known as "red chips" – account for more than 4 per cent of the value of Hong Kong's Hang Seng index, according to Wardley James Capel, Hong Kong.

Chinese officials have warned that mainland investment in Hong Kong will slow. In both Hong Kong and Macao, rumours abound about this project being deferred or that mainland partner withdrawing from a venture because he has come under pressure from mainland banks to repay debt.

But the euphoria in Hong Kong surrounding the flotation of nine large and medium-sized Chinese state-owned companies has waned. Tsingtao Brewery went well because it was the first of the nine to come to the market, and local Hong Kong investors knew its product well.

Red Chip Index vs Hang Seng Index

Indices rebased, Dec 31, 1992



The "red chip" index used by DaoHeng has 26 constituents which are either companies substantially owned by mainland Chinese, or Hong Kong companies that derive considerable profits from operations in China

Source: DaoHeng Research

Shanghai Petrochemical, the second and largest entrant, was less successful. Its sale in Hong Kong suffered from the company being poorly marketed to investors – the Hong Kong tranche of 850m shares was just 1.7 times oversubscribed – and from being seen to be too highly priced.

Concerns about the Chinese economy also took the lustre off the issue.

"A lot of interest in China stocks has been concept driven," says one analyst. "They came to the market boasting good backers and good contacts and with the promise that they would do good deals on the mainland. Now, with the retrenchment under way, it is difficult to see what they will do."

Mr Alex Tang, director of research at Dao Heng Securities, agrees. "On top of the concern about the economy is concern about the controlling shareholders of these companies. What will they put into these listings and will the businesses have good earnings potential? No one knows."

To date, foreign investors appear content to ride out what is seen as an essentially short-term correction. Mr Simon Nicholson, senior Far East investment manager for Gartmore Asset Management, agrees that there are problems.

"It will be a tricky six months in terms of markets," he says. "Hong Kong is saturated with new issues, rights issues and placements, and the whole worry about China is that the currency will steadily deteriorate."

The most enthusiastic investors are, unremarkably, the China funds which dedicate their cash to mainland concerns, targeting China plays principally but also unlisted Chinese companies.

There are more than 30 China funds with a total investment potential in excess of $2bn. The problem they face, with the total capitalisation of the Shanghai and Shenzhen B shares hovering below $1bn, is to find enough places to put their cash.

Kleinwort Benson's $60m China fund, which began operating last autumn, has so far placed only $16.5m.

However, Mr Robin Fox, the fund's chairman, remains confident. "You only have to spend some time there to see how fast the country's growing," he says.

The jitters in the equity market have been echoed in property. Mainland interests own an estimated US$10bn of residential and commercial property in the colony.

Mr Nicholas Brooke, senior partner of surveyors Brooke, Hillier, Parker, says: "We are seeing a reduction in the number of transactions and mainland interest in the property market. There has definitely been a cooling, but we have a number of large deals in the pipeline and there is no indication that the mainland counterpart has been told to pull out."

One thing that Hong Kong has in its favour is that no one, including the Chinese central government, knows the extent of mainland investment in the colony. This is because Hong Kong has become a place where the public duties of mainland Communist party officials overlap with their private financial interests. Mainland interests in Hong Kong, if asked, will be understating their assets in the colony.

Westfield Trust defies recession

WESTFIELD Trust, the Australian shopping centre operator, has continued to defy the recession with a 9 per cent net earnings improvement to A$68.6m (US$46.5m) for the six months ended June, writes Bruce Jacques in Sydney.

Property income was up by 32 per cent to A$77.3m in the period. The company plans to pay an interim dividend of 9.39 cents, against 9.38 cents a share.

Mr Steven Lowy, executive director, said results from the shopping centres had been satisfactory given the current economic environment.

Placer Pacific soars despite gold output fall

PLACER Pacific, the Australian gold mine, reports a 50 per cent increase in net earnings to A$50.4m (US$34.1m) for the six months ended June despite a substantial fall in gold production, writes Bruce Jacques in Sydney.

The higher earnings stemmed entirely from positive tax adjustments. Before tax, profit fell by 45 per cent to A$37.4m on revenue down 21 per cent at A$236.3m. The dividend is going up from 3.5 cents a share to 4 cents.

COMPANY NEWS DIGEST

■ Jennings Group, the Australian housebuilder, has agreed a restructuring plan involving Fletcher Challenge, its major shareholder, and a consortium of banks, writes Bruce Jacques.

The banks will convert A$90m of debt into a 39 per cent equity stake in Jennings, while Fletcher will release or convert debt of A$150m and dilute its equity holding in the company from 47 to 43 per cent. Other shareholders will have their equity diluted from 52 per cent to 18 per cent.

■ World International, the Hong Kong property and retail group, reports profits of HK$1,468.3m (US$189.3m) for the year ended March, up 50.4 per cent on 1991-1992, writes Simon Holberton in Hong Kong.

The 1991-1992 figures included only a nine-month contribution from the Wharf acquisition.

The dividend is being increased to 28.5 HK cents a share, up 16.3 per cent. World said the 1992-1993 results underlined a year of "considerable progress".

■ Tata Iron and Steel, India's second-largest private sector company, will have a difficult year ahead with profit margins under pressure, writes R.C. Murthy in Bombay.

Mr Ratan Tata, chairman, said sales in the April-June quarter were up by 10 per cent but profits failed to keep pace with sales growth.

Net profits for the year ended March fell 70 per cent to Rs1.27bn ($40m) and the dividend is being cut from Rs3.50 to Rs2.50.

Stronger pound dispels concerns about gilt prices

By Peter John in London and Patrick Harverson in New York

A SHARP rise in sterling against the D-Mark helped lift UK government bond prices yesterday, temporarily dispelling concern that gilts might have peaked.

Gilts were stronger along the yield curve, although they held gains better at the long-dated end. Ten-year gilt futures for September opened at $108\frac{5}{32}$ and rose more than half a point before easing to close a net $\frac{3}{32}$ higher on the day.

GOVERNMENT BONDS

Sterling's gains, prompted by the view that the UK is a safe haven from the turmoil within the European exchange rate mechanism, disguised some of the doubt creeping into the market ahead of tomorrow's £3.25bn gilts auction.

Continued support for the market at all levels was matched by sellers, particularly later in the day when prices retreated in the face of profit-taking.

Although the buyers remain, there are fundamental political worries ahead of the Christchurch parliamentary by-election. Dealers were watching the level of sterling against the D-Mark with interest, saying that if the pound was perceived to be overvalued investors would sell it back and that weakness could not come at a worse time for the gilt auction.

Much depends on the outcome of the CBI industrial trends survey due today. If that shows any inflationary trends, that could hit the market.

■ REGIONAL cost-of-living figures in Germany pointed to a year-on-year rise in inflation from 4.1 per cent to 4.3 per cent.

However, the markets decided that the Bundesbank would have to cut interest rates to save the ERM, and bund prices were firm yesterday, although the bund futures for September eased to close 9 pfennigs higher at 96.27.

Nevertheless, there was a general shift from last week's view that the Bundesbank would be unable to ease to a consensus that it would have to reduce the upper level Lombard rate and the discount rate, which sets the floor for German lending, if the ERM is to survive.

■ FRENCH bond futures opened at 120.36 and shot up to 120.60 as investors decided that whichever way Germany falls at its Bundesbank council meeting on Thursday, France will have to slash rates to rescue its faltering economy.

However, the contract slipped back and closed marginally lower on the day, as did five and 10-year cash bonds after the early enthusiasm gave dealers a chance to take profits.

OAT September futures ended at 120.24.

■ AMONG the high yielding countries, Italian government bonds tested their historic high as the lira rebounded against the D-Mark. Italian September bond futures hit a high of 104.82 and closed 0.31 up on the day at 104.42.

Spanish debt prices were easier ahead of an auction of three-year, five-year and 10-year paper later this week. Portuguese bonds slipped back after the central bank raised its one-day lending rate by 2.5 points to 14.5 per cent.

■ US TREASURY prices edged lower across the maturity range yesterday as the bond market squared itself for this week's auction of new government securities.

By midday, the benchmark 30-year government bond was down $\frac{1}{16}$ at $105\frac{3}{4}$, yielding 6.702 per cent. At the short end of the market, the two-year note was slightly weaker, down $\frac{1}{32}$ at $99\frac{27}{32}$, to yield 4.192 per cent.

The dominant influence on the market yesterday was supply considerations. The Treasury is due to sell $16bn in two-year notes today and another $11bn in five-year notes tomorrow.

Much of the activity during the morning session was dealers preparing their positions for that new supply.

There was little else to affect business.

The day's only economic news – a 1.9 per cent rise in June existing home sales – was bearish for bonds, but the extent of the gain was insufficient to trouble prices.

● SALOMON Brothers bid to buy an undisclosed amount of Polish Treasury bills at a primary auction yesterday, becoming the first foreign investor to enter the market, Reuter reports from Warsaw.

"This is the first foreign investor in the bills. This should be just the beginning of greater interest, even though the amount they bid for was rather small," said a ministry official.

Poland sold 2,300bn zlotys of Treasury bills at its weekly auction.

FT FIXED INTEREST INDICES

	July 26	July 23	July 22	July 21	July 20	Year ago	High *	Low *
Govt Secs (UK)	98.16	97.98	97.97	98.03	98.32	89.17	98.46	93.28
Fixed Interest	117.20	117.02	117.11	117.18	117.13	105.84	117.20	108.57

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 117.20 (26/7/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	July 23	July 22	July 21	July 20	July 19
Gilt Edged Bargains	89.1	100.0	105.0	85.2	100.9
5-Day average	98.1	101.3	106.0	108.8	111.8

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	116.8214	-0.014	7.13	7.08	7.58
BELGIUM		9.000	03/03	112.5800	-0.370	7.15	7.02	7.07
CANADA *		7.500	12/03	101.0970	+0.054	7.34	7.09	7.33
DENMARK		8.000	05/03	105.7000	-0.250	7.16	7.16	6.86
FRANCE	BTAN	8.000	05/98	106.9858	-0.142	6.25	6.09	6.09
	OAT	8.500	04/03	111.8000	-0.220	6.79	6.70	6.70
GERMANY		6.750	04/03	101.8900	+0.115	6.50	6.51	6.63
ITALY		11.500	03/03	104.2650	+0.640	11.08†	10.98	11.48
JAPAN	No 119	4.800	06/99	104.0695	+0.098	3.95	4.01	4.22
	No 145	5.500	03/02	108.2642	+0.170	4.20	4.28	4.38
NETHERLANDS		7.000	02/03	104.5300	+0.080	6.33	6.34	6.42
SPAIN		10.300	06/02	99.9775	-0.228	10.29	10.22	10.15
UK GILTS		7.250	03/98	102-00	+4/32	6.74	6.71	6.86
		8.000	06/03	103-18	+7/32	7.48	7.46	7.65
		9.000	10/08	110-01	+9/32	7.86	7.85	8.00
US TREASURY *		6.250	02/03	102-10	+28/32	5.93	5.68	5.79
		7.125	02/23	105-15	-11/32	6.70	6.54	6.68
ECU (French Govt)		8.000	04/03	104.9200	-0.080	7.27	7.19	7.07

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Canada's junk provides some rich pickings

By Bernard Simon in Toronto

THE CRIPPLED and convalescing companies which litter Canada's business landscape have offered rich pickings to investors willing to pay less heed to credit-rating agencies than to their own instincts.

In a local adaptation of the US junk-bond market, a large number of US and, more recently, Canadian investors have put their money into corporate securities well below the grade normally favoured by pension funds and other institutions.

The returns have in many cases been spectacular. Bonds issued by Stelco, Canada's second-biggest steelmaker, traded as low as 30 cents to the C$ late last year when it looked as if the company might go to the wall. They are now changing hands at close to par.

Participants agree that the best is probably over for the "distressed" sector of the market, comprising companies which have filed or come close to filing for bankruptcy protection. They include bonds issued by buildings owned by Olympia & York, the crippled property developer, and Royal Trust, the financial institution in the process of being rescued by Royal Bank of Canada.

But opportunities still appear to be lurking among another troubled group of companies, described by one trader as "below investment-grade". The companies seem likely to survive the tough times of the early 1990s, but their finances have been strained to the point that credit-rating agencies have cut their ratings below investment-grade level.

One money manager cites the example of 10-year bonds issued by MacMillan Bloedel, the Vancouver-based forestry group. Rated BBB-high by Dominion Bond Rating Service of Toronto, the spread between the Macblo bonds and the equivalent government of Canada bonds has already shrunk from 3 percentage points to about 1.9 points.

Another portfolio manager points to a series of 10-year first mortgage bonds secured by leasehold improvements at three Westin hotels in Canada. The bonds were issued at a spread of 1.25 percentage points in 1988. The spread is now 6 percentage points.

Other companies in troubled sectors whose bonds have become popular include Four Seasons Hotels, Domtar and Canadian Pacific Forest Products (both pulp and paper companies), and Scott's Hospitality (restaurants).

The Canadian high-yield market was spurred by US "vulture funds" looking for fresh opportunities, and the reluctance of conservative Canadian institutions to become involved with securities of dubious credit quality.

"The Canadians didn't understand value in liquidation," says one market maker. "The Americans are accustomed to that sort of thing."

One sign of US interest is that Goldman Sachs, the New York-based investment bank, has brought a credit analyst to its Toronto office to seek investment opportunities among corporate Canada's walking wounded.

Some Canadian portfolio managers, such as Lincludin Management of Oakville, Ontario, have joined the bandwagon. Local securities dealers, including Richardson Greenshields and RBC Dominion Securities of Toronto, have also become more active in trading distressed and below-investment-grade securities.

Several investment managers say that the market in "below investment-grade" securities springs largely from the poor judgments of Canadian rating agencies. Confidence in local rating groups was especially undermined by their late recognition of the severity of the problems at property developer, Olympia & York.

In this respect it is perhaps significant that Standard & Poor's has recently opened an office in Toronto, and that Moody's is in the process of following suit.

Relative safety of sterling market encourages issues

By Tracy Corrigan

AS pressure in the exchange rate mechanism continued to unsettle other European markets, the sterling bond market provided a focus for activity.

Two straight bonds and two equity-linked financings launched yesterday benefited from the perception of European investors that the sterling market is one of the safest choices available.

INTERNATIONAL BONDS

Anglian Water launched a £65m issue of bonds with equity warrants, only the second sterling warrants deal this year. Anglian has a relatively high dividend yield so it was more economical for the company to issue bonds with warrants than to launch a convertible bond offering since convertibles are priced according to dividend yields and warrants are priced according to the share's volatility, according to lead manager J Henry Schroder Wagg.

About half the proceeds of the issue will be used to refinance the acquisition of the Nordic Water group of companies in February 1993, initially financed from surplus core funds, the other half for general corporate purposes.

The five-year 6½ per cent bonds, issued at 11.5, were bid at 111 at the end of trading.

Coats Viyella, the UK's largest textiles group, launched a £75.6m offering of convertible bonds due 2003, which will be used for general corporate purposes including the repayment of short-term borrowings.

The deal was priced at the tighter end of indicated levels, with a conversion premium of 19 per cent and a coupon of 6¼ per cent. However, the deal met strong demand from continental Europe, according to lead manager Merrill Lynch, and was bid at a ¾ point premium to its par issue price.

On the fixed-rate side, both Sweden and Hewlett-Packard, the US computer company, launched five-year offerings, taking advantage of the swap opportunities available for bonds maturing at the end of 1998, due to the shape of the yield curve.

Sweden has been able to set progressively more aggressive funding targets this year as worries about its weak economy and heavy funding requirements have subsided. Yesterday's £350m five-year issue allowed the AA2/AA+ rated sovereign borrower to achieve sub-Libor funding.

The deal was launched at a spread of 36 basis points over the 7¼ per cent gilt due 1998. By the end of the day, the spread was 38 basis points over the curve, on the bid side.

Hewlett-Packard Finance launched a £100m five-year offering, priced to yield 30 basis points over the same reference gilt. Some dealers said the pricing was on the aggressive side, but lead manager Goldman Sachs pointed out the borrower's strong rating (AA1 by Moody's and AA+ by Standard & Poor's) and the paper's rarity value, adding that the deal had met strong retail demand overseas. The issue was swapped into floating rate US dollars.

Elsewhere, dealers reported renewed talk of a $150m bond for Morocco and a smaller issue for Philippine Airlines.

● The Bank of England plans to liberalise the rules governing the issuance of sterling commercial paper and medium-term notes.

On Friday, the Bank issued a consultative document detailing proposed revisions to existing regulations, and asked market participants for their comments on the proposals by September 15. The proposed changes involve the removal of the minimum maturity of seven days for commercial paper and the maximum maturity of five years for medium-term notes.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
STERLING							
Kingdom of Sweden	250	7	99.2R	Dec.1998	0.25R	+36 (7¼%-98)	UBS/ SG Warburg Secs.
Hewlett-Packard Finance Co.	100	7.125	99.91R	Dec.1998	0.275R	+30 (7¼%-98)	Goldman Sachs Intl.
Coats Viyella(a)§	75.625	6.25	100	Aug.2003	2.5	-	Merrill Lynch Intl.
Anglian Water(b)ϕ	65	6.5	111.5	Aug.1998	2.25	-	J.Henry Schroder Wagg
YEN							
Taisei Corp.	20bn	4.05	99.95R	Nov.1997	0.3R	-	Yamaichi Intl.(Europe)
Odakyu Electric Railway(c)§	20bn	1.5#	100	Sep.1998	2.5	-	Nikko Europe
Taisei Corp.	10bn	4.8	100.075R	Nov.1998	0.325R	-	Nikko Europe

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ϕWith equity warrants. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Conversion price: £2.75. Callable at par from 31/8/98. b) Denom.: £5000 + 1127 warrants. Exercise price: £4.95. c) Fixing: 2/8/93. Callable on 1/10/94 at 102% falling ½% annually.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on July 26

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9⅛ 94	200	104¼	105⅛	-⅛	4.24
AlbertaProvince 9½ 95	600	109½	109⅞		4.80
Austria 8½ 00	400	113½	113¾	-⅛	5.92
Bank of Tokyo 8⅛ 96	100	107⅝	108⅛	+⅛	5.23
Belgium 9⅜ 98	250	116¾	117⅛		5.65

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Arbed 7½ 95 LFr	600	100	101		7.50
Gentinance Lux 9⅛ 99 LFr	1000	108⅛	110½		7.27
World Bank 8 96 LFr	1000	102	103		7.15
Bank Voor Ned Gem 7⅝ 02 Fl	1000	105⅜	105¾		6.82
Energie Beheer 8¾ 98 Fl	500	110¼	110¾		6.40
Ontario 6¼ 03	400	107⅞	107⅝		5.24
Quebec Hydro 5 08	100	97	98		6.50
SNCF 7 04	450	116	116¼	-⅛	5.09
World Bank 5 03	150	102½		+½	4.68
World Bank 7 01	600	112¾	113	+1	4.94

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Belgium 5 99	75000	102¼	102½		4.58
Denmark 7 95	40000	105⅛	105⅜	-⅛	3.44
EIB 6⅝ 00	100000	111⅛	111⅜		4.63
Elec de France 5⅜ 96	20000	105⅜	105⅝	+⅛	3.90
Finland 6¾ 96	50000	106⅞	107⅛	+⅛	3.97
Inter Amer Dev 7¼ 00	30000	115	115¼		4.63
Japan Dev Bk 5 99	100000	103½	103⅝	+⅛	4.34
Japan Dev Bk 6⅜ 01	120000	112⅜	112½	+⅛	4.34
Nippon Tel Tel 5⅞ 96	50000	106⅝	106⅞		3.62
Norway 5⅛ 95	50000	102⅝	102⅞		3.48
SNCF 6¼ 00	30000	111¾	112	+⅛	4.84
Sweden 5⅛ 95	20000	103⅞	104⅛		3.72
World Bank 6¾ 00	50000	112	112¼		4.60

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
Browning-Ferris 6¾ 05	400	52½	99	99⅞	+99.90
Chubb Capital 6 98	250	88	118⅛	119⅛	+13.03
Eastman Kodak 6⅜ 01	300	50.67	105¼	106¼	+4.05
Gold Kalgoorlie 7½ 00	85	1.0554	114	115	+48.09
Hanson 9½ 06 £	500	2.5875	112⅝	113⅜	+27.40
Hawley Pref 8 02	400	19.1	130½	132½	
Land Secs 6¾ 02 £	84	6.72	101⅞	102¾	+12.60
Lasmo 7¾ 05 £	90	5.64	87⅝	88⅝	
Mitsui Bank 2⅝ 03	200	2332.6	99⅝	100½	+17.06
Mount Isa Fin 6½ 97	100	2.283	100½	101⅛	+66.12
Ogden 6 02	85	39.077	95	96	+42.10
Smith Nephew 4 02 £	90	1.775	132¾	133½	+66.68
Sumitomo Bank 3⅛ 04	300	3606.9	94⅛	95	+22.57
Sun Alliance 7¼ 08 £	155	3.9	109⅝	110½	+14.31
Tesco Capital 9 05 £	200	2.51	115¼	116¼	+42.85
Texas Instruments 2¾ 02	300	82⅞	104	104⅞	+17.27
Thorn EMI 6¾ 04 £	103	7.16	131⅛	132¼	+0.39

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡ three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	52	2	25
Other Fixed Interest	14	1	0
Commercial, Industrial	303	189	921
Financial & Property	216	63	523
Oil & Gas	27	11	45
Plantations	0	1	7
Mines	11	46	77
Others	56	30	50
Totals	679	345	1,648

LONDON RECENT ISSUES

EQUITIES

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
133	Nil	27/8	38pm	33pm	ACT	35pm	
80	Nil	6/8	3pm	¾pm	Alexon	¾pm	-1¼
140	Nil	26/8	94pm	82pm	Bank of Ireland	87pm	+2
135	Nil	3/9	19pm	15pm	Birkby	15pm	-2
500	Nil	6/9	98pm	80pm	Clyde Blowers	98pm	
152	Nil	23/8	18pm	5pm	Cranswick	7pm	+1½
345	Nil	1/9	52pm	38pm	Frogmore	50pm	
30	Nil	18/8	9pm	4pm	Moran Hldgs	4pm	-4
5	Nil	9/8	1½pm	1pm	Premier Land	1pm	-¼
210	Nil	1/9	53pm	46pm	Smith New Court	46pm	-2

pm Price at a premium. † Price offered to public.
For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

● First Dealings July 26
● Last Dealings Aug. 6
● Last Declarations Oct. 28
● For settlement Nov. 8

3-month call rate indications are shown in Saturday editions.

Calls in Alvis, Caverdale, Enterprise Computer, Hanson warrants, Hartstone, Intl. Business Comms., Learmonth & Burchett, ML Labs., Micro Focus, Premier Cons., Simon Eng., Tadpole Tech. and Telemetrix. Puts in Simon Eng. and UK Land.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

FT-ACTUARIES FIXED INTEREST INDICES

Disposal helps Union Discount return to black with £11.3m

By Tracy Corrigan

UNION DISCOUNT, one of the City's leading discount houses, returned to profit in the first half of 1993, largely due to its sale of Winterflood Securities, the small companies market-making specialist.

The group announced pre-tax profits of £11.3m for the six months ending June 30 1993, after reporting pre-tax losses of £14.8m last time.

Discontinued operations produced an operating profit of £3.7m, while disposals accounted for a further £6.5m. Operating profits on continuing operations amounted to just £1.1m, a substantial improvement on the £12.1m loss in the comparable period last year.

However, there is no interim dividend. Mr George Blunden, chief executive, said the board wanted to see greater consistency in the company's performance before restoring dividend payments, and would concentrate on developing fee earning businesses.

But he added: "It's my target that we should restore dividend payments by the end of the year," assuming the company's improved performance is maintained.

Mr Blunden said that the first priority in restoring profitability was to extricate the discount house from its disastrous foray into leasing, undertaken in the 1980s.

He hopes that no further provisions will be needed and that the remaining leasing businesses will be sold off or run down by the end of the year.

Union Discount shares have been trading at a substantial discount to their net asset value, because of concern about its leasing businesses.

The news that Sabre Leasing, the largest leasing business, continued to make a small profit even though the asset financing group lost £1m, "has to be encouraging," according to Mr Martin Green, an analyst at Smith New Court, "but the market is still sceptical about any company involved in leasing".

The share price rallied 7p to 158p yesterday, still well below net asset value of 220p. The results were in line with analysts' expectations.

Looking ahead, Mr Blunden said that the discount house would concentrate on developing existing businesses, including the traditional discount house business, jobbing, asset management and futures broking.

The capital released by winding down the leasing side will be used to develop the group's capital markets operations in areas such as derivatives and arbitrage trading.

Since the end of the first half, the group has acquired a majority stake in Guildhall, a consultancy which advises financial institutions on risk management.

Earnings per share, stripping out disposals and discontinued operations, worked through at 3.78p, against losses of 87.8p.

See Lex

Motor side boosts DC Cook

A SUBSTANTIAL upturn in second half results of the motor division enabled DC Cook, the Rotherham-based motor retail and property group, to report pre-tax profits of £550,000 for the year to April 30, against £121,000.

At the interim stage the USM-quoted company recorded a loss of £56,000.

The pre-tax result was achieved after exceptional charges of £281,000 (£70,000) and lower interest costs of £1.48m (£2.09m).

Turnover was £108m (£107.6m), including £1.38m (£14.1m) from discontinued activities. Fully diluted earnings were 2.02p (1.11p). After passing the interim dividend a final of 0.6p is recommended, against last year's total of 0.5p.

Syndicate bank backs bid for Wm Hill

By Maggie Urry

ONE OF the syndicate of banks which has lent £350m to William Hill is backing the £360m consortium bid for the betting shop chain, part of Brent Walker.

A majority of the banks, including some which have also lent to Brent Walker itself, are anxious that the bid, being put together by SG Warburg, should be pursued, along with other proposals for William Hill.

For the first time Brent Walker admitted officially yesterday that it had received an approach for William Hill.

The offer is from a group of investors advised by SG Warburg. It would be structured about half-and-half in equity and new loans, with the equity coming from a number of venture capital investors.

Brent Walker said it was seeking further information from the Warburg group. A meeting was held between both sides last Friday when Warburg is understood to have requested the chance to perform due diligence and talk to William Hill's management.

William Hill is ring-fenced from the rest of Brent Walker and its debt is due to be repaid or refinanced by March 1 next year. Brent Walker said it was looking at a number of alternative proposals. These include possible bids from other parties, the flotation of William Hill or even the refinancing of the loan in March.

William Hill is one of the pillars on which the Brent Walker business plan, which was agreed with bankers last year when they completed a £1.65bn refinancing, is built.

Without William Hill, Brent Walker could find it difficult to service its other debts.

Hartstone cuts purchase costs

By Peggy Hollinger

FURTHER questions surfaced yesterday over acquisitions made by Hartstone, the loss-making leathergoods and hosiery company which recently negotiated a standstill agreement with bankers following the breach of several covenants.

Its annual accounts, published yesterday, showed that following further investigation it would pay £4m less than planned for the lingerie arm of Aznar, the hosiery company acquired in 1992.

Hartstone became one of Europe's leading hosiery and leathergoods companies through a rapid succession of acquisitions. In January it said it would pay £10.4m in cash and shares for Aznar Industrial. However, the group said that the purchase price would now be £8.25m.

The company said that the balance of £4.1m, including an initial payment of £3.7m, would be now be offset against the amount owed on Aznar, the hosiery company and the lingerie group's original parent.

Mr Shaun Dowling, the chairman who replaced Hartstone's founder Mr Stephen Barker, said the alteration was an accounting technicality.

The group earlier this month announced losses of £9.86m and £31m in above the line charges. The results followed profits warnings and the collapse of the share price from 272p in February to a low of 33p. The shares have since recovered, closing at 60p last night, up 4p.

Analysts said yesterday that although the accounts were more detailed than normal there remained several questions, particularly as to how Hartstone would deal with difficulties arising from its high gearing of 120 per cent.

"After the standstill they have got a chance to trade their way out of some difficulties but not enough to bring the debt down," said one.

Observers speculated that the group would be forced to sell a business and perhaps call on shareholders for cash. BDO Binder Hamlyn reinforced the view in its auditors report, warning of the possibility of disposals "at less than current net book amounts".

Reorganisation charges reduce CRT to £3.3m but dividend lifted by 17%

By Catherine Milton

CRT GROUP, the training, recruitment and consultancy company, proposes to lift the total dividend by 17 per cent despite a fall in pre-tax profits from £6.16m to £3.3m in the year to April 30, hit by one-off reorganisation costs and the recession.

Mr John Gittins, finance director, said the company used the £3.2m (£3.7m) cash generation as a guide to setting the dividend level, rather than headline profits.

The pre-tax profits were struck after charges of £1.5m (£0.8m) to cover discontinued and exceptional items.

The exceptional charge has increased from the £630,000 reported at the interim stage, reflecting the adoption of the new FRS 3 accounting standard which meant reclassifying some extraordinary items, together with other accounting changes and the establishment of provisions against future costs associated with discontinued activities.

Total turnover, including £1.28m (£4.35m) from discontinued operations, increased to £47m (£43.5m) and operating profits declined to £4.73m (£6.07m) including a £147,000 (£481,000) loss on discontinued operations.

The company's core training division increased sales to £22.9m (£20.2m), contributing operating profits of £4.5m (£6.3m).

Mr Karl Chapman, chief executive said: "The disappointing financial performance in this division was largely a consequence of substantial investment in the provision of training materials and improved quality control processes."

The company added Wetherby Training Services and Convergent Communications to the division. The acquisitions contributed £1.69m to turnover and £248,000 to operating profits.

The consultancy division contributed turnover of £6.5m (£5.5m) and operating profits of £430,000 (£670,000), following "a poor start to the year".

The recruitment division contributed an improved £16.4m (£13.4m) to sales and operating profit of £800,000 (£400,000).

The board proposes a final dividend of 2.15p (1.825p) to give a total for the year of 2.8p (2.4p). The dividend is payable from earnings per share of 4.2p (8.3p).

Heron sells property interest

By Maggie Urry

HERON International, Mr Gerald Ronson's property group, has sold a half share of a property in Brussels for £32m.

The price is above the value put on the property in the group's business plan, underlying its £1.4bn refinancing.

The refinancing has still to be approved by the UK courts. A hearing began yesterday, as five creditors owed $42m (£28m) are opposing the scheme. The hearing was adjourned and a decision is not expected until later this week.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Capita ...int	0.85	Oct 7	0.7*	-	2.1*
Cook (DC) § ...fin	0.6	-	0.3	0.6	0.5
CRT ...fin	2.15	Dec 15	1.825	2.8	2.4
Greggs ...int	6	Oct 8	5	-	15
Independent Inv ...fin	0.6	Sept 8	0.5	0.6	0.5
Merrydown ...fin	6†	Oct 4	5.333*	7	6.222*
Motor World ...int	2.3	Aug 27	-	-	-
TR Smaller Cos ...fin	2.3	Sept 28	2.2	3.8	3.7

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On increased capital. §USM stock.

Merrydown declines by 11% as competition bites

By Philip Rawstorne

STIFFER competition in the premium cider market contributed to an 11 per cent decline in full-year pre-tax profits at Merrydown, the Sussex-based cidermaker.

Though total cider volumes more than matched the overall market growth of 12 per cent, profits for the year to March 31 slipped from £1.93m to £1.71m.

The shares fell 16p to 268p.

Trading profit was virtually unchanged at £2.33m on turnover ahead 11 per cent at £19.2m.

Merrydown Vintage Cider maintained its brand leadership in the premium take-home market with a 27 per cent share but faced severe pressure on pricing and margins from the launch of rival branded and private label ciders.

"It is very doubtful whether the market can sustain all the new high alcohol cider brands that have been launched," said Mr Richard Purdey, chairman.

Merrydown's volume and prices were also affected by the impact of recession on independent retailers in south-east England. However, sales of Traditional Cider in cans continued to grow strongly and the group entered the private label business which, Mr Purdey said, was starting to make a "useful contribution" to profits.

Export sales advanced some 19 per cent to £900,000. Recession, particularly in Germany, slowed progress in Europe but new business in South America made a promising start.

Overseas profit contribution, however, remained minimal while high costs of opening new markets are being incurred.

Interest charges rose from £425,000 to £621,000 as the company invested heavily in relaunching its Vintage Cider brand and improving production and bottling facilities. Borrowings at the year end were £5.26m against shareholders' funds of £13.8m.

Earnings per share fell from 15.24p to 13.03p but a final dividend of 6p lifts the total by 12.5 per cent to 7p.

● **COMMENT**

Merrydown, the pioneer of the premium cider market, is finding it tough defending its ground against the rush of later, and bigger, entrants. But it is difficult to fault its strategy for combating competition. Management has been restructured and strengthened; it has invested heavily in relaunching its leading cider brand and in production and bottling facilities that have enabled it to enter the growing private label business; it has expanded into the pub market for draught cider through an agreement with Gaymer Group and has reduced its dependence on cider by acquiring adult soft drink brands such as Piermont, Shloer and PLJ. Their contribution should enable Merrydown this year to double pre-tax profits to £3.5m as the growth in cider slows to an estimated 5 per cent. On a prospective p/e of 12.5 it looks reasonably rated below Bulmer and Taunton.

Greggs rises 26% to £2.9m

By Chris Tighe

GREGGS, the manufacturer and retailer of bread, confectionery and savoury products, lifted pre-tax profits by 26 per cent, from £2.29m to £2.89m, in the 24 weeks to June 12.

Turnover improved to £48.3m (£45.3m); the 6.8 per cent rise included a small increase in volumes through existing outlets.

Mr Mike Darrington, managing director, said the results reflected the company's belief that the recession had ended but he was seeking steady, long term growth rather than a boom. Gross margins had increased slightly and the wage percentage of costs had reduced, reflecting both improved volumes and tighter operational costs. The sandwich business grew strongly but bread sales were relatively disappointing.

Earnings per share were ahead 27 per cent to 17p (13.4p), and the interim dividend goes up to to 6p (5p).

Mr Ian Gregg, chairman, said because the second half of last year was much stronger than the first, he did not anticipate comparative profit growth in the second half of 1993 to be as pronounced as in the first half.

Mr Gregg announced he intended to "formalise" existing arrangements by becoming non-executive chairman.

The company had 492 outlets at June 12; it plans to open up to 10 more in the remainder of 1993. In 1994 it plans record capital investment of £12m, half of it in London and the West Midlands.

Net cash now stands at £9m, almost £4m higher than this time last year.

Capita manages 15% advance to £2m

By Catherine Milton

CAPITA GROUP, a provider of services to the public sector, reported pre-tax profits up 15 per cent, from £1.77m to £2.04m, in the six months to June 30.

Turnover rose to £22.1m (£13.7m) mainly because the company's outsourcing division secured ten new contracts – three to manage local authority information revenue and benefits administration, and seven in computer services – tripling the number of contracts since the last year end.

Outsourcing contributed turnover of £13.2m (£7.08m) and pre-tax profits of £1m (£1.06m), giving a sharp fall in margins to 7.6 per cent (15.1 per cent). The shares closed 1p lower at 168p.

Mr Rod Aldridge, chairman and chief executive, said: "The key to the outsourcing business is creating economies of scale. Efficiency comes with growth."

The company said the new contracts had depressed margins because of the high initial costs associated with reorganising public sector structures. Capita also wrote off £300,000 in implementation costs.

Analysts said they would give the company the benefit of the doubt.

One said: "It's all very plausible and this is still absolutely the business to be in. Everything now depends on effective management."

Another worry was the company's decision to move into revenue and benefits administration which some analysts said offered less scope for scale efficiencies.

The advisory and consultancy division contributed £8.89m (£6.65m) to turnover and £1.04m (£703,000) to pre-tax profits, giving margins of 11.6 per cent (10.6 per cent).

Capita has integrated its £450,000 cash acquisition of Goldcrest – made in April – within the property services arm of its outsourcing operations. The company estimates it contributed £203,000 to turnover and £11,000 to pre-tax profits.

At the half-way stage Capita had cash of £12.3m (£7.62m) and no borrowings. Mr Aldridge said: "A strong balance sheet is the key in our market. People want to be confident that the company they are getting into bed with for the next five years is not going to go bust."

The interim dividend is 0.85p (0.7p), payable from earnings per share of 2.86p (2.53p).

Harmony Leisure links with the Sangster and Slater families

By Tim Burt

HARMONY Leisure, the loss-making pubs and restaurants group, yesterday announced an unexpected link-up with two of the City's best known families – the Sangsters, former owners of Vernon Pools, and the Slaters, whose Slater Walker merchant bank collapsed in the 1970s.

Mr Jim Slater, the one time stock market guru and property entrepreneur, has agreed together with shareholders representing the Sangsters to sell Arion, their jointly-owned Edinburgh property company, to Harmony.

As part of an all-paper transaction, the two families will receive 12.3m new Harmony shares at 5p, valuing Arion at £800,000.

Mr Guy Sangster, whose father Robert was chairman of Vernon Pools until its acquisition by Thomson T-Line in 1988, is to become a non-executive director of Harmony once the transaction has been approved by the Stock Exchange.

Mr Christopher Slater, whose father Jim became a share tipster after his business empire failed, will remain as managing director of Arion.

The move marks Harmony's first sizeable acquisition since the board announced a £1.8m rights issue earlier this year to fund the creation of a property investment division.

Yesterday, Mr John Main, chairman and joint managing director of Harmony, said the Slaters' interest in fledgling property companies had been aroused by Mr George Soros's recent investment in British Land, the commercial property group.

Jim Slater, former property entrepreneur and market guru

"Harmony is an ideal shell vehicle for them," Mr Main said. "We are very excited about the quality and commitment of the new investors. This acquisition increases our asset base and brings in a good stream of rental income."

The pubs group will also be seeking other all-paper acquisitions to build up its asset base, he added.

Closure at Ferry Pickering

Ferry Pickering, the Leicestershire-based printing and packaging group, is to close its loss-making Scottish manufacturing operations at Clydebank.

Costs of the closure, scheduled for the end of next month, are estimated at £2.6m, excluding goodwill of £1.4m previously written off against reserves.

Directors said the decision had been reached following "a lengthy period of continuing losses".

The Scottish business incurred an increased operating deficit of some £365,000 (£192,000) in the six months to June 30.

Group operating profits on continuing activities over the same period were estimated at £643,000 (£445,000).

The interim dividend, expected to be announced on August 31, should be maintained at 2.1p, the directors stated.

NEWS DIGEST

Specialeyes losses cut to £333,000

SPECIALEYES, the USM-quoted retail optician, reported pre-tax losses of £333,000 for the 24 weeks to May 15. That compared with a loss of £696,000 for the 28 weeks to May 30 1992 and a forecast of £350,000 in May's placing of unsecured loan stock.

Turnover was £9.49m (£9.09m). Losses per share were 2.18p (3.51p).

Mr James Power, chairman, said that the £1.5m loan stock issue had been completed providing the resources to continue the rationalisation begun at the start of this year.

Beckenham

Beckenham Group, the USM-traded heating and ventilating engineer, saw pre-tax losses reduced to £186,000 in the six months to April 30.

The deficit at this restructured group, cut from £771,000 helped by reduced interest charges of £112,000 (£364,000), came on turnover of £17.4m (£15.3m) including a £620,000 contribution from acquisitions.

Losses per share worked through at 0.2p (1.3p).

CRP Leisure

Shares in CRP Leisure, the USM-quoted public house refurbishment company, resumed trading at 8p following a refinancing backed by stockbrokers RA Coleman (North Wales).

The shares were suspended at 7¼p on March 26 this year, following financial problems connected with its CR Pursehouse public house refurbishment subsidiary. This was placed into liquidation on March 30.

CRP made a loss of £117,000 (£196,000) on turnover of £340,000 (£1.54m) for the six months ended April 30 1993. Losses per share were 0.7p (1.2p).

TR Smaller Cos

After deducting prior charges at par, the net asset value per share of TR Smaller Companies Investment Trust rose 17.5 per cent – from 155.4p to 182.6p – over the 12 months to May 31.

Net revenue showed a 23.5 per cent increase to £7.71m (£6.24m) for earnings per share ahead at 4.31p (3.49p). A recommended final dividend of 2.3p brings the total for the year to 3.8p (3.7p).

Campbell Armstrong

Campbell & Armstrong, the shop and office fitting group, incurred pre-tax losses of £3.94m for the year to March 31 – in line with last month's warning.

The outcome, prepared under FRS 3, compared with a restated deficit of £822,932 and was struck after bad debts, redundancy costs and losses from closed businesses totalling £900,000 (£500,000).

The group also took exceptional charges of £1.4m relating to a property write-down and a loss on disposal of businesses.

Turnover was £50.5m (£61.3m). Adjusted losses per share were 14.5p (4.1p).

Waverley Mining

Waverley Mining Finance, the Edinburgh-based investment company, reported a pre-tax deficit of £63,411 from gross income of £141,433 for the year to end-March.

That compared with a loss of £195,061 from income of £103,664 last time.

Losses per share came out at 0.6p (1.7p).

Smaller Cos Inv Tst

Net asset value per share of The Smaller Companies Investment Trust stood at 124.6p at the six months ended June 30, against 84.08p six months earlier and with 88.95p at the interim stage last year.

Earnings were 1.31p (1.52p) per share. As already announced, the interim dividend is maintained at 1.2p.

Independent Inv

Independent Investment lifted net asset value by 14 per cent to 68.3p per share over the year to June 30.

Available revenue amounted to £916,000 (£587,000) for earnings of 0.98p (0.63p) per share. An interim dividend, to be paid in lieu of a final, is 0.6p (0.5p).

The ground rules of a shifting demand

Paul Cheeseright on expansion at Triplex Lloyd and Wagon Industrial

UNEVEN market conditions have dented the profits of both Triplex Lloyd and Wagon Industrial, distorting the shape of their respective businesses but not diminishing their appetite for expansion.

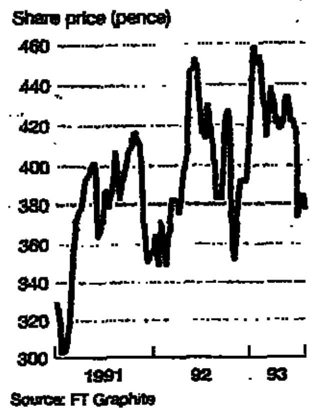
The pressures which the two medium-sized Midlands engineering groups have faced and their response to them bring into relief both difficulties and strengths in the sector as continental European markets slow down and the domestic economy remains sluggish.

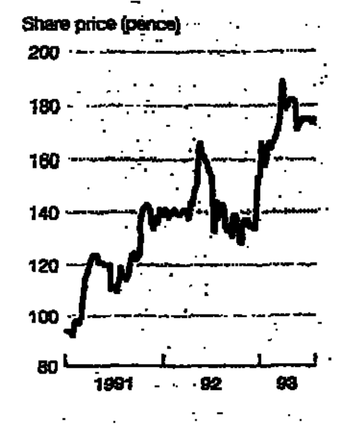
Both, like many others in the sector since the early 1980s, have learned to see their future in an international context. Both are diversified. They have, in common, the production of automotive components and precision products. Individually, Wagon is strong on materials handling; Triplex Lloyd on equipment for the power generation industry.

If not stock market favourites, the two have been consistently well-regarded. Albert E Sharp, the Birmingham-based broker, has long held a *hold* sign over Wagon and a *buy* sign over Triplex Lloyd.

However, the share price of Wagon, which during the worst of the domestic recession had been sustained by its international approach, has now found that this counts against it. The stock market likes to know that its recovery stocks will continue to recover.

Despite the announcement of a 42 per cent profits increase to £18.1m pre-tax for 1992-93, Wagon shares last month tumbled to the bottom half of their range after the group reminded the market of what the market knew already. It acknowledged continued difficulties at Forkhardt, the German subsidiary making specialist power chucks, and indicated that 1993-94 would be a flat year.





Source: FT Graphite

On the other hand, Triplex Lloyd's share price has remained in the middle of its range although earlier this month it announced static 1992-93 pre-tax profits at £7.1m and a projection which indicated strong growth, not this year, but next.

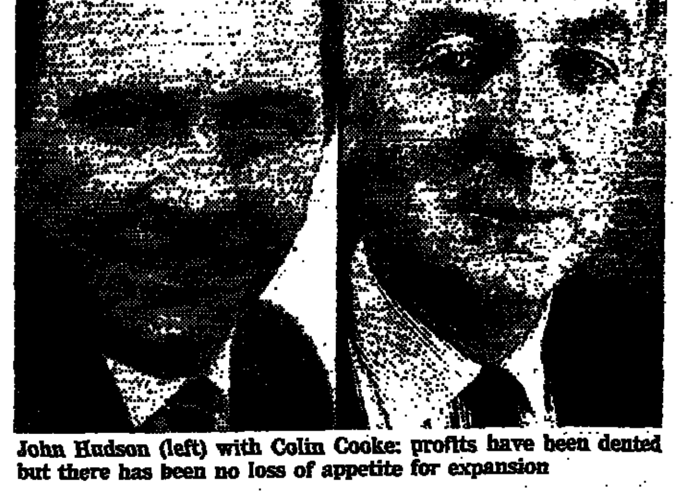
As an indication of how demands on the ground are shifting, the two sets of figures were revealing. The UK markets helped Wagon in its sectors, but those of France and Germany started to slide. The UK pushed Triplex Lloyd down on building products, but continental Europe supported profits - especially because the demand for gas turbine power equipment has so far proved recession-proof.

Present nervousness about Wagon apart, the share prices of both companies have benefited from the perception, apparent in the market from last autumn, that engineering companies would respond rapidly to any growth in the UK economy. Furthermore, both companies have been able to feed the institutional demand for new paper with rights issues - Wagon last October and Triplex Lloyd last February.

Although they have been consistently expansionist, both have gone about expansion in different financial fashions. With interest rates so low the differences could disappear.

Wagon went through the recession holding net cash of about £14m and used its £32.3m rights issue proceeds for a specific acquisition.

Gearing at Triplex Lloyd increased to 45 per cent in 1991-92 and hit 60 per cent just before the rights issue reduced it to 23 per cent.



John Hudson (left) with Colin Cooke: profits have been dented but there has been no loss of appetite for expansion

Wagon is now likely to relax a little. Noting that the return on money is 6 or 7 per cent and that the return on industrial assets is about 20 per cent, Mr John Hudson, chief executive, said: "As things stand now the UK is recovering - it's weak but it's sustainable. The case for having a strong balance sheet is diminished."

This points to further acquisitions - Wagon made eight in the year to last March. "The next steps will be in the UK," he predicted. This is because of the tax implications should too rapid expansion take place in Europe. But this does not imply diversification.

Although Triplex Lloyd has also been acquisitive, its main attention has latterly been on technical investment and on plant expansion - particularly in casting operations to satisfy demand in the power industry for turbine blades and in the automotive sector.

Growth is becoming a matter of survival and management in both groups has been refined and focused. "Senior management is much more hands-on with the larger operations," said Mr John Foley, managing director, who, with Mr Colin Cooke, chairman, has concentrated Triplex Lloyd into three divisions. "Our customers in both the automotive and power sectors are much bigger than we are and they are looking to deal with a smaller amount of customers," said Mr Foley. In other words, Triplex Lloyd does not want to be a minnow cast aside.

The approach at Wagon is not dissimilar. "If we're going to hit the earnings we achieved in the late 1980s, we're not going to do *it* by waiting for volume to come back," said Mr Hudson.

So the way forward is by winning a larger market share, improving productivity and reducing costs.

Exchange rates assist Shandwick

By Peter Franklin

SHANDWICK, the public relations agency, reported a 12.5 per cent advance in pre-tax profits - from £1.54m to £1.73m - in the six months to April 30. Turnover grew by £1.1m to £80.2m.

The advance in profits arose exclusively from favourable movement in currency rates, the company said.

Operating profits were up 11.2 per cent, from £4.35m to £4.82m, representing a margin of 9.7 per cent (9.2 per cent).

The accounts have been prepared on an FRS 3 basis and the prior year figures incorporate costs previously reported as exceptional items.

Interest charges increased to £3.09m (£2.81m). Net debt was £65.2m, a rise of £3.1m during the six months. Because of over-provision for foreign taxes there is no tax charge this time. Earnings per share came out at 1.7p (0.9p).

Motor World improves

Profits of Motor World Group, the car parts and accessories retailer floated on the stock market in February, rose from £956,000 to £1.46m pre-tax for the half year ended May 2.

Sales rose 13 per cent to £18.7m in spite of a "difficult economic climate".

On a pro-forma basis profits before tax rose by 12 per cent to £1.67m (£1.49m).

Reduced interest charges of £263,000 (£608,000) reflected the flotation proceeds. Directors said full benefit of lower borrowings would become more apparent in the second half through lower interest costs. Earnings were 12p (22.2p), or 8.1p (7.3p) pro-forma. The interim dividend is 2.3p.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, July 26, 1993. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)	COUNTRY		£ STG	US $	D-MARK	YEN (X 100)	COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	2115.73c	1409.61	816.884	1318.21	Gambia	(Dalasi)	13.3545	8.8911	5.1981	8.3205	Pakistan	(Pak. Rupee)	44.7146	29.77	17.2643	27.8595
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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SCS

We're always improving our track record

	1990	1991	1992
Sales	19,964	22,964	27,167
Capital Expenditure	10,610	11,827	10,637
Net Profit	1,367	1,413	1,425

The STET Group in billions of lire

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STET

IRI group

Weather news lightens gloom on US farms

By Nancy Dunne and Lisa Bransten in Washington

FOR THE first time in weeks meteorologists have good news for American farmers in the drought-stricken south-east and flooded midwest.

Sunday brought a healthy rain to the south-east crops and forecasters at the US Department of Agriculture predict the next ten days will bring normal to above normal rainfall.

In early trading yesterday soyabean prices on the Chicago Board of Trade sank about 15 cents a bushel to $7.11. Mr David Asbridge, an analyst with the American Soyabean Association, said he did not expect prices to fall as much as the 30 cents limit, which would shut off trading for the day.

Dr Norton Strommen, a USDA meteorologist, said that the rains in the south-east should the slow crop deterioration that had been brought on by unseasonably high temperatures that began in June. Farmers may not be out of the woods yet because long-range forecasts are indicating higher than normal temperatures and lower than normal levels of precipitation.

"I don't see any signs of permanent relief from the drought," Mr Strommen said.

In the midwest rain will not stop entirely, but it should return to levels normal for this time of year. With nearly 16,000 square miles of the best farmland in the US under water and flooding likely to continue even if the rain does let up, the USDA is looking primarily to non-flooded regions where rains slowed or prevented planting and more rain now would damage the crops already in the ground.

The rain has been particularly damaging in Iowa, the largest maize-producing state in the nation; Kansas, the biggest producer of wheat; Nebraska; southern Minnesota and western Illinois.

In early July USDA lowered estimates of maize and soyabean production to capture losses due to crop abandonment and planting problems, but there is little concern about commodity shortages because of large stocks on hand at the beginning of the harvest and good crops elsewhere in the country.

Some agricultural regions, such as the eastern corn [maize] belt, have actually benefited from the rainfall. About 78 per cent of Indian's maize crop and 76 per cent of Ohio's are considered to be in "good to excellent condition". Maize is also flourishing in eastern Illinois.

The drought in the south-east may affect cotton production, analysts say, but the USDA has not formally lowered crop estimates. The crop was expected to be the biggest since 1937, because of the larger amount of planted acreage reported on June 30, and production was expected to top 17m bales.

MIM acquires stake in Queensland copper/gold mine

Kenneth Gooding, Mining Correspondent

MIM HOLDINGS, the Australian natural resources group, is moving closer to its aim of becoming one of the world's big copper producers by acquiring 51 per cent of the Ernest Henry copper/gold deposit near its base in north west Queensland for A$80m (£36m).

Ernest Henry, one of the richest mineral discoveries in Australia in recent years, has been at the centre of an ownership dispute that ended abruptly at the weekend.

Analysts suggest that the outcome is severely embarrassing for Western Mining Corporation, one of Australia's biggest groups, which discovered the deposit in 1991 jointly with Hunter Resources on a group of six leases owned by Savage Resources, a small coal and exploration company.

A judge in the New South Wales supreme court ordered an adjournment on Thursday and told WMC to consider its position "at the highest level" after a WMC executive had admitted the company misled Savage about exploration work carried out at the Ernest Henry site. Settlement of the dispute has enabled MIM to buy a majority stake in Ernest Henry from Savage.

WMC's share price fell sharply on the court revelations which came only a few months after the group was also strongly criticised and ordered to pay costs of more than C$10m by a judge in Nova Scotia, where it had sued directors of Seabright Resources, a gold company it acquired during a takeover spree in North America in 1987.

MIM had manoeuvred itself into a position to take a substantial stake in Ernest Henry whatever the outcome of the court battle. The deposit, which consists of at least 69m tonnes of ore containing an average of 1.6 per cent copper and 0.8 grams of gold a tonne, is near MIM's Mount Isa base where it has extensive mining and copper smelting operations.

MIM will also acquire Hunter's 30 per cent interest in the nearby Mount Fort Constantine joint venture – WMC has the remaining 70 per cent – for A$17.5m.

Mr Norm Fussell, talking to the Association of Mining Analysts in London yesterday, said growing its copper operations was MIM's present "priority target". The group aimed to mine 200,000 tonnes of copper a year and to smelt 250,000 tonnes, the capacity of its Townsville refinery.

The stake in Ernest Henry and another prospect, Eloise, near Mount Isa, would enable the group's growing smelter capacity to be used "and will average down our overall production cost."

He said it would take at least three years to get Ernest Henry into production.

MIM's longer-term aim was "to double our global influence in copper to 400,000 annual tonnes, while improving our competitive position".

US GOLD production will rise by 5 per cent compared with 1992 to 10.3m troy ounces this year, according to Metals Economics Group, the Canadian consultancy concern, which based its forecast on company projections. This follows a 14 per cent or 1.2m ounce jump last year, nearly half of which came from a doubling of production at American Barrick Resources' Goldstrike mine in Nevada. Nevada continued to dominate US gold output last year with 48 mines producing 6.5m ounces or two-thirds of the total. California's 14 mines produced just over 1m ounces.

Indonesia is not giving up on natural gas 'pipe-dream'

William Keeling reports on problems hindering development of a giant field in the South China Sea

THE POTENTIAL $20bn development of the Natuna field has kept the gas industry enthralled since its discovery 20 years ago in the South China Sea, about 1,100km north of Jakarta, the Indonesian capital.

With 45 trillion (million, million) cubic feet of recoverable hydrocarbon reserves, the field could support long-term contracts for 14m tonnes a year of liquefied natural gas, equivalent to nearly 25 per cent of 1991 world LNG production. It would confirm Indonesia – which last year shipped 23m tonnes of LNG worth $3.7bn to Japan, South Korea and Taiwan – as the industry's world leader.

In early July, however, Pertamina, Indonesia's state-owned oil and gas company, pulled out of more than two years of negotiations with Exxon Corporation of the US for Natuna's development. Pertamina and Exxon both have a 50 per cent stake in the field.

Exxon requested at the weekend that negotiations be reactivated. But there are many people within the gas industry who consider Natuna a pipe-dream project. Mixed with its recoverable gas, the field has 70 trillion cu ft of carbon dioxide, which would need to be separated and reinjected into the sea-bed. Offshore facilities – the field is in water 145 metres deep – would total 700,000 tonnes of steel, 910 km of pipeline and 2.6m horsepower of turbine machinery.

Industry officials say, however, that the sticking point of negotiations has not been the project's technical feasibility but fiscal terms such as the production split after cost-recovery and the tax regime under which the field would operate.

Exxon is also report to have requested a sovereign guarantee for its investment to cover *force majeure* risk, a first for an oil and gas project in Indonesia. As a Jakarta oil executive explains, "If Natuna were to go sour, even for a company as big as Exxon it would have a dramatic effect".

With the project facing potentially insuperable problems, Indonesia must now assess the future of its gas sector without Natuna. Jakarta has been deft at marketing LNG in Japan, where its exports of over 18m tonnes last year accounted for 60 per cent of the market. Demand is expected to rise further as Japan replaces its nuclear power stations with gas-fired plants.

South Korea is also a growing market with an increase in demand forecast from 4m tonnes this year to nearly 12m tonnes by the year 2000. As an industry executive in Jakarta notes, in Asia "all the indicators point to pretty good growth potential".

Indonesia, however, may not be able to capitalise fully on the growing market. Last year, Pertamina's Arun plant in North Sumatra produced about 12m tonnes and a further 11m tonnes came from its Badak facilities in east Kalimantan.

Oil companies say proven reserves in Kalimantan dedicated to Badak are about 30 trillion cu ft. Improvements to Badak, including completion of a $750m sixth unit or "train", will boost its capacity to 14m tonnes next year. A seventh train, with a capacity of 2.4m tonnes, is under consideration.

Reserves at Arun, however, are running down. Industry officials forecast a gradual decline in production from a peak of 1.8bn cu ft a day in 1989 to 1.5bn cu ft by 1998 and then a sharp fall to less than 900m cu ft daily in 2000.

Arun supplies on long-term contracts that begin to expire in 1999 and will be concluded by 2008. After that date, industry officials expect only minimal production from Arun.

The failure of Pertamina and Exxon to reach agreement does not signal an immediate crisis for Indonesia's LNG industry, for, as one Jakarta oil executive notes, even "without Natuna, Indonesia does have some reserves which do buy them time". Unless significant new reserves can be brought on stream, however, the forecast rise in LNG production to 28.5m tonnes a year by 1997 would be followed by a decline toward 20m tonnes by 2010.

Some oil companies are bullish about the prospects of finding new gas reserves but say, despite incentives being improved three times in the last five years, that the fiscal regime covering Indonesia's oil and gas sector stifles exploration. The government may improve incentives again, however, to prevent a long-term decline in LNG exports and to guarantee supplies for the fast-growing domestic market.

By 1997 at least eight gas-fired power plants with a capacity exceeding 6,000MW are planned on Java and a gas network in the industrial city of Surubaya in East Java is being constructed.

A recent government study proposed exploiting 79 small and medium scale fields with reserves totalling about 8.4 trillion cu ft to feed the domestic market. But these are expected to be depleted by 2004 and, should new reserves not be discovered, the government might have to redirect gas from the export- to the domestic-market.

This further underlines the importance of the Natuna field which, in addition to servicing exports contracts, could provide a fall-back position for the domestic gas sector.

Ping fails to win support for Opec price action

By Deborah Hargreaves

MR JEAN Ping, president of the Organisation of Petroleum Exporting Countries, flew home to Gabon yesterday after a tour of the Middle East having failed to reach any agreement among the ministers he visited for Opec action to prop up the oil price.

Mr Ping's visit was prompted by expectations that Iraq would soon return to the export market after talks with the United Nations in New York. He scheduled an emergency meeting for this Wednesday, but was persuaded by Mr Hisham Nazer, the Saudi oil minister to postpone it.

No date has been set for another Opec meeting and ministers continue to snipe at each others' overproduction. The pressure has been taken off the organisation by steady oil prices and the fact that talks between Iraq and the UN have not yet resumed.

Iraqi negotiators are still in Baghdad although they are expected in New York to resume talks within the next two weeks. Oil prices have barely moved for several days as traders wait to see what will happen in the Iraqi negotiations.

"I think the market over-anticipated how soon Iraqi oil would come back and now prices are on hold until there is more action from either Iraq or Opec," said Mr Joe Stanislaw, consultant with Cambridge Energy Research Associates in the US.

The North Sea Brent crude price for September delivery rose 16 cents yesterday to $16.81 a barrel.

West African rice boom poses problems for researchers

A deepening funding crisis is hampering efforts to boost indigenous production, writes **John Madeley**

RICE IS booming in West Africa, with a growing number of people switching from traditional cereals, which take hours of preparation, to opt instead for a food they can put straight in the cooking pot.

Once considered a luxury, rice has become the chief staple food and major source of calories for some 70m of West Africa's 200m people. Output in the 17 countries that make up the region has risen by more than 5 per cent a year since 1980, doubling to a record 6.6m tonnes last year, the highest increase for any of the major cereal crops.

The popularity of rice in West Africa, particularly among urban dwellers, means that consumption has shot up at an even faster rate than output, exceeding 9.5m tonnes in 1992. Some 3m tonnes had to be imported last year at a cost of $600m, putting a severe strain on scarce reserves of foreign exchange.

While countries in the region are trying to encourage yet higher output, and cut down on imports, farmers are facing a number of problems that could put a brake on expansion. Rice is still a relatively new crop in West Africa and high-yielding varieties suitable for the region have yet to be developed. A research institute, the West Africa Rice Development Association, based in Bouaké, Ivory Coast, which is trying to develop improved varieties of rice and encourage sustainable farming practices, is facing a funding crisis.

Warda, which was set up in 1970, was recently forced to close one of its stations in Sierra Leone because of the withdrawal of funds by USAid. The US government aid organisation. Two other research stations, at Bouake and at Saint Louis in Senegal, are down to skeleton staffs.

The World Bank, one of Warda's largest donors, last year cut its annual funding from $1.785m to $1.5m, while the European Community slashed support from $532,927 to $324,000. Only two of the regions's 17 countries contributed funds for Warda's research, despite their interest in producing more rice from their own fields.

"If the countries who spend so much money importing rice, divert only a tiny fraction for us to do research it would help solve the problem," said the association's director-general, Dr Eugene Terry.

A panel of rice experts that conducted a review of Warda's work said that it had been "reduced close to the level of critical mass, and in some aspects may already be below it. This is an extremely serious and urgent situation".

Most rice in West Africa is not grown in Asian-style paddies but by small farmers in upland areas without the benefit of irrigation. Africa's existing upland rice varieties are hardy but yield less than a tonne per hectare, compared with a global average of about 3.5 tonnes. Upland farmers in West Africa who apply fertiliser are averaging more than two tonnes a hectare, but fertiliser is not widely available.

When Warda was first established, it concentrated on adapting high-yielding rice varieties developed in Asia, Latin America and elsewhere to West African conditions. It was hoped that these varieties could give Africans the benefits Asians were enjoying.

But Warda admits that this approach proved "misdirected". In the hot dusty winds and extreme temperatures of West Africa the Asian varieties fared badly, and researchers are now trying to improve local varieties.

Higher yielding varieties could have an important environmental spin-off, enabling farmers to allow longer fallow periods in between rice cultivation. Much of the expansion of rice output in West Africa has taken place because farmers have shortened these fallow periods, but at the risk of serious land degradation.

Researchers point out that provided the right varieties can be found there is considerable potential to expand the output of rice from West African inland valleys. These valleys cover about 19m ha, and rice now only grows on about 5 per cent of them.

WORLD COMMODITIES PRICES

MARKET REPORT

GOLD moved ahead in late trading on the London bullion market after Comex futures prices advanced early with the entry of a big fund into the market. New York analysts were divided over the possible effect on the market of Sunday's massacre of 11 churchgoers in South Africa. Some said the market had disregarded the violence, while others attributed gold's advance to concerns that the violence might escalate. **COPPER** traded in a narrow range on the LME, ending in the plus column. Factors such as possible strikes in Peru and drawn-out labour talks at Kennecott were seen as peripheral. Tightness in the September delivery month was again the driving force, but there was little activity on this front. Three-month **ALUMINIUM** met some support around $1,215 a tonne. News that workers at Alcan's Kitimat smelter are to vote on a new contract deal later this week, and that work is carrying on, suggests that a stoppage is unlikely. New York raw **SUGAR** prices came under pressure from the continuing lack of news in the cash market. October fell in heavy midsession trading to 9.11 cents a lb – the lowest level from an active contract in nearly six months.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Sep)		+ or -
Dubai	$14.29-4.37u	+0.080
Brent Blend (dated)	$16.94-6.98	+0.220
Brent Blend (Sep)	$16.80-6.82	+0.160
W.T.I (1 pm est)	$17.88-7.91u	+0.195

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$194-196	
Gas Oil	$162-163	
Heavy Fuel Oil	$59-61	
Naphtha	$161-163	-1
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$393.2	+2.7
Silver (per troy oz)♣	$508.5	+8.0
Platinum (per troy oz)	$404.0	-0.15
Palladium (per troy oz)	$139.25	+0.35
Copper (US Producer)	90.5c	+0.5
Lead (US Producer)	34.83c	
Tin (Kuala Lumpur market)	12.61m	+0.21
Tin (New York)	226.5c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	132.11p	-1.07*
Sheep (live weight)†♦	89.43p	-4.44*
Pigs (live weight)†	76.54p	-4.69*
London daily sugar (raw)	$260.3	-3.5
London daily sugar (white)	$265.0	-2.0
Tate and Lyle export price	£277.5	-2.0
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	Unq	
Wheat (US Dark Northern)	£147.0	
Rubber (Aug)♥	59.00p	+0.50
Rubber (Sep)♥	59.50p	+0.50
Rubber (KL RSS No 1 Jul)	207.0m	-1.0
Coconut oil (Philippines)§	$487.5v	
Palm Oil (Malaysian)§	$370.0t	-2.5
Copra (Philippines)§	310.0c	+17.5
Soyabeans (US)	£213.5y	-0.5
Cotton "A" Index	58.75c	
Wooltops (64s Super)	348p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jul/Aug. z-Aug.v-Aug/Sep u-Sep t-Oct/Dec x-Aug/Oct ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♦Sheep prices are now live weight prices * change from a week ago. provisional prices.

SUGAR – LCE ($ per tonne)

White	Close	Previous	High/Low
Oct	255.30	262.00	261.00 254.50
Dec	263.00	263.90	263.00
Mar	259.50	267.10	264.80 259.50
May	263.60		265.90 263.60
Aug	268.50		270.00 268.50
Oct	261.00		261.00

White 1359 (547) Paris- White (FFr per tonne): Oct 1517.38 Dec 1559.35

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
Sep	16.83	16.69	16.84 16.70
Oct	16.88	16.77	16.94 16.79
Nov	16.98	16.90	17.08 16.97
Dec	17.10	17.15	17.21 17.10
Jan	17.23		17.33 17.23
IPE Index	16.60	16.72	16.60

Turnover 14769 (29650)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low
Aug	160.25	159.75	161.75 159.75
Sep	160.50	160.25	162.00 159.75
Oct	162.50	161.75	163.00 162.25
Nov	164.00	163.50	165.00 164.00
Dec	166.25	166.00	166.50 165.75
Jan	167.75	167.50	167.75 167.00
Feb	167.75	168.00	168.00 167.50
Apr	165.50	164.50	165.50 165.00

Turnover 8439 (14349) lots of 100 tonnes

TEA

A fair demand prevailed. Landed best liquoring East Africans were very irregular and generally 5 to 10p easier but coloury mediums were a strong feature and often gained 2 to 4p. Reports the Tea Brokers Association. Lesser sorts, however, tended easier while malawi teas were difficult of sale apartfrom selected lines. Ceylons came in for more enquiry with brighter types dearer, others about steady. Offshore teas met limited competition and prices were easier where sold. Quotations quality 150p, nom good medium 125p, medium 111, lowmedium 88p, the highest price realised this week was 155p for a kenya pd.

COCOA – LCE (£/tonne)

	Close	Previous	High/Low
Jul	743	751	753 745
Sep	752	758	763 751
Dec	762	764	775 761
Mar	778	779	790 777
May	788	790	801 788
Jul	799	800	803

Turnover: 3798 (6695) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 23 764.95 (768.05) 10 day average for Jul 26 772.84 (773.09)

COFFEE – LCE ($/tonne)

	Close	Previous	High/Low
Jul	968	965	978 970
Sep	992	993	1000 993
Nov	1002	1001	1008 1000
Jan	998	995	1004 999
Mar	995	994	1003 1000

Turnover: 1162 (1732) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jul 23 Comp. daily 61.37 (61.90) 15 day average 60.40 (59.95)

POTATOES – LCE (£/tonne)

	Close	Previous	High/Low
Apr	87.1	88.4	87.9 88.0
May	96.5	98.7	96.5 96.0

Turnover 87 (137) lots of 20 tonnes.

SOYAMEAL – LCE (£/tonne)

	Close	Previous	High/Low
Oct	181.00	-	181.00
Dec	182.00	-	182.00

Turnover 20 (0)lots of 20 tonnes.

FREIGHT – LCE ($10/index point)

	Close	Previous	High/Low
Jul	1340	1340	1340
Aug	1298	1294	1300 1295
Sep	1335	1335	1335
Oct	1375	1378	1380 1375
Nov	1390	1385	1400 1390
BFI	1348	1352	1348

Turnover 242 (175)

GRAINS – LCE (£/tonne)

Wheat	Close	Previous	High/Low
Nov	107.00	107.85	107.60 107.00
Jan	109.15	110.15	109.60 109.50
Mar	111.25	112.20	111.80 111.50
May	113.25	114.20	114.00 113.50
Jun	113.80	114.75	114.35 114.00
Barley	**Close**	**Previous**	**High/Low**
Sep	101.35	102.15	111.75 101.40
Nov	103.55	104.30	103.60
May	108.85	109.60	108.80

Turnover: Wheat 116 (79), Barley 58 (145).
Turnover lots of 100 Tonnes.

PIGS – LCE (Cash Settlement) p/kg

	Close	Previous	High/Low
Aug	101.3	102.6	101.5 101.0
Sep	100.8		100.8
Oct	102.3	103.0	102.0
Nov	103.5		103.5

Turnover:15 (24)lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 38,613 lots
Cash	1198.5-7.5	1206-07		1189-90		
3 months	1220-1	1229-29.5	1128/1212.5	1212.5-13.0	1123.5-4.0	233,794 lots
Copper, Grade A ($ per tonne)						Total daily turnover 35,672 lots
Cash	1925-8	1910-11	929.5	1929-30		
3 months	1925-6	1910-11	1930/1920	1926-8.5	1923-4	222,928 lots
Lead ($ per tonne)						Total daily turnover 5,392 lots
Cash	390-2	390-91		390-90.5		
3 months	403-5	403-03.5	404.5/403	403.5-4.0	404.5-5.0	23,705 lots
Nickel ($ per tonne)						Total daily turnover 4,277 lots
Cash	4825-35	4850-60		4790-800		
3 months	4880-90	4905-15	4885/4870	4860-5	4880-90	44,440 lots
Tin ($ per tonne)						Total daily turnover 3,865 lots
Cash	4880-90	4885-95		4900-905		
3 months	4935-40	4940-50	4980/4920	4950-60	4920-5	10,751 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 15,111 lots
Cash	923-4	921-22	922	921-2		
3 months	939-40	937-37.5	940/937	938-9	938-7	73,221 lots

LME Closing £/$ rate:
SPOT: 1.5023 3 months: 1.4920 6 months: 1.4850 9 months: 1.4789

Copper and lead prices are now expressed in dollars per tonne

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	393.00-393.40	
Opening	389.50-389.90	
Morning fix	389.75	259.972
Afternoon fix	391.75	260.920
Day's high	394.00-394.40	
Day's low	389.30-389.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.65	6 months	2.71
2 months	2.65	12 months	2.75
3 months	2.67		

Silver fix	p/troy oz	US cts equiv
Spot	330.55	496.85
3 months	335.40	500.45
6 months	339.95	504.75
12 months	349.15	514.50

GOLD COINS

	$ price	£ equivalent
Krugerrand	390.00-393.00	260.00-262.00
Maple leaf	405.10-407.60	-
New Sovereign	92.50-95.50	62.00-64.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Aug	Oct	Aug	Oct
1175	32	62	3	17
1200	15	46	10	26
1225	5	33	28	38
Copper (Grade A)	**Calls**		**Puts**	
1900	44	82	12	53
1950	17	58	35	78
2000	4	39	72	109
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
850	143	161	1	9
900	97	120	5	18
950	58	86	16	34
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
725	37	62	10	26
750	22	47	20	35
775	12	37	35	50
Brent Crude	**Sep**	**Oct**	**Sep**	**Oct**
1700	18	43	41	
1750	5	25		
1800	1	11		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jul	393.0	389.8	0	0
Aug	393.1	390.0	394.4	390.2
Sep	394.1	391.0	0	0
Oct	395.4	392.2	396.5	392.4
Dec	397.5	394.3	398.8	394.5
Feb	399.5	396.3	400.5	397.0
Apr	401.5	398.3	401.5	398.8
Jun	403.5	400.3	0	0
Aug	405.5	403.4	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	408.6	406.2	0	0
Oct	408.6	406.2	410.9	406.5
Jan	409.9	407.5	411.5	408.5
Apr	410.9	408.5	412.0	408.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	506.2	496.1	508.5	496.5
Aug	508.9	496.9	0	0
Sep	510.0	498.0	512.0	497.0
Dec	515.1	503.1	517.0	502.5
Jan	515.7	503.7	0	0
Mar	520.3	508.3	521.0	509.5
May	524.2	512.2	525.0	523.0
Jul	527.8	515.8	528.0	525.0
Sep	531.6	519.6	0	0
Dec	537.3	525.3	539.5	526.5

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	85.25	85.10	85.60	85.00
Aug	85.20	85.30	85.45	85.35
Sep	85.60	85.65	86.20	85.20
Oct	85.70	85.75	85.50	85.50
Nov	85.85	85.80	0	0
Dec	85.90	85.85	86.40	85.60
Jan	86.05	86.00	0	0
Feb	86.20	86.15	0	0
Mar	86.35	86.30	86.40	86.05
Apr	86.45	86.45	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Sep	17.82	17.75	17.95	17.68
Oct	18.15	18.02	18.19	17.96
Nov	18.30	18.21	18.35	18.21
Dec	18.43	18.36	18.44	18.34
Jan	18.57	18.50	18.59	18.49
Feb	18.62	18.61	18.66	18.63
Mar	18.75	18.70	18.73	18.65
Apr	18.77	18.77	0	0
May	18.84	18.84	0	0
Jun	18.90	18.89	18.90	18.88

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Aug	50.20	50.19	50.45	49.95
Sep	51.05	51.04	51.20	50.80
Oct	52.05	52.06	52.25	51.90
Nov	53.20	53.18	53.30	53.00
Dec	54.25	54.28	54.40	54.00
Jan	54.90	55.01	55.00	54.85
Feb	55.30	55.28	55.40	55.25
Mar	54.55	54.41	54.55	54.55
Apr	53.65	53.48	53.65	53.65
May	52.60	52.61	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	948	961	976	946
Dec	987	999	1014	986
Mar	1016	1028	1040	1015
May	1037	1049	1040	1039
Jul	1057	1069	0	0
Sep	1077	1089	0	0
Dec	1097	1109	0	0
Mar	1118	1130	0	0
May	1136	1148	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	71.45	72.45	73.25	71.00
Dec	74.00	75.00	75.40	73.60
Mar	76.20	77.10	77.60	76.05
May	77.75	78.70	0	0
Jul	79.25	80.10	0	0
Sep	80.75	81.45	0	0
Dec	84.00	84.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.15	9.60	9.56	9.07
Mar	9.55	9.95	9.90	9.51
May	9.68	10.05	9.99	9.61
Jul	9.74	10.06	10.00	9.65
Oct	9.73	10.00	9.90	9.72

COTTON 50,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	60.17	61.05	60.90	60.15
Dec	61.30	62.49	62.35	61.30
Mar	62.60	63.78	63.60	62.60
May	64.00	64.48	64.00	64.00
Jul	63.80	64.65	64.00	63.80
Oct	61.80	62.15	0	0
Dec	61.80	62.30	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	117.00	118.70	118.60	116.90
Nov	120.00	121.70	121.00	119.90
Jan	121.05	123.10	122.75	121.40
Mar	123.05	125.05	123.50	123.00
May	124.55	126.50	125.05	124.00
Jul	124.55	126.50	0	0
Sep	121.55	123.50	0	0
Nov	121.55	123.50	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Jul.26	Jul.23	mnth ago	yr ago
1709.2	1707.1	1665.4	1567.7

DOW JONES (Base: Dec. 31 1974 = 100)

	Jul.23	Jul.22	mnth ago	yr ago
Spot	124.34	122.57	120.44	118.25
Futures	129.56	128.83	120.40	118.70

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Aug	710/6	727/4	717/0	703/0
Sep	710/6	727/0	717/0	703/0
Nov	710/4	727/0	716/0	701/0
Jan	712/0	728/4	715/4	707/4
Mar	714/0	729/0	716/0	708/0
May	714/0	731/0	715/0	709/0
Jul	713/0	726/0	716/0	708/4
Aug	698/0	714/2	705/0	698/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	23.75	24.50	24.50	23.82
Sep	23.67	24.65	24.50	23.70
Oct	23.89	24.82	24.50	23.95
Dec	24.23	25.02	24.66	24.05
Jan	24.27	25.05	24.65	24.25
Mar	24.34	25.15	24.85	24.33
May	24.35	25.20	24.45	24.35
Jul	24.30	25.19	24.75	24.30

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Aug	233.9	235.3	234.0	227.5
Sep	228.8	232.5	231.0	226.0
Oct	228.3	231.8	229.0	223.5
Dec	227.7	231.5	229.0	223.0
Jan	226.3	229.5	226.5	223.0
Mar	223.8	228.0	225.0	222.0
May	222.8	227.0	223.0	219.0
Jul	219.5	223.0	220.0	218.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	243/4	244/0	244/0	238/0
Dec	248/2	251/2	248/6	243/0
Mar	255/0	257/2	256/0	250/4
May	259/2	261/2	259/2	254/0
Jul	259/0	261/4	259/2	254/4
Sep	246/0	248/0	247/4	246/0
Dec	239/6	239/6	240/2	238/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	316/4	314/0	317/0	308/4
Dec	326/4	324/2	327/0	317/0
Mar	328/6	326/4	330/0	320/0
May	325/4	322/2	326/0	316/4
Jul	309/4	309/0	310/0	303/4
Sep	319/4	313/0	0	0
Jul	311/0	0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	74.675	73.750	74.800	73.825
Oct	74.525	73.325	74.700	73.650
Dec	75.375	75.025	75.500	74.975
Feb	75.800	75.800	75.950	75.475
Apr	76.775	76.700	76.900	76.425
Jun	73.675	73.625	73.875	73.550
Aug	72.500	72.500	72.725	72.250

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Aug	47.700	48.125	48.400	47.550
Oct	44.875	44.725	45.250	44.825
Dec	45.675	45.850	46.150	45.725
Feb	46.300	46.450	46.460	46.050
Apr	44.925	45.250	45.250	44.425
Jun	49.700	50.200	50.200	49.350
Jul	48.600	49.250	48.850	48.300
Aug	48.500	0	0	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	43.075	42.000	43.775	41.900
Feb	50.600	51.150	52.050	50.050
Mar	50.050	50.800	51.600	49.550
May	51.500	52.300	52.000	50.700
Jul	51.825	51.825	0	0
Aug	52.500	52.500	0	0

Rate hopes drive rally in blue chips

By Terry Byland,
UK Stock Market Editor

DOMESTIC political worries returned to the sidelines yesterday in the London stock market, which focused on the chances of a cut in German interest rates this week. Equities took their lead again from the currency markets, and hoped that Thursday, whatever happens in the important UK by-election in Christchurch, will bring action on rates by the Bundesbank policy council.

Shares opened firmly, but it was left to the stock index futures market to provide the impetus which took the FT-SE 100 Index ahead by 18.3 by mid-morning. However, this early level of 2,846 on the Footsie proved to be the day's best and the rest of the session, while lively enough in terms of specific corporate features, lacked further development.

Supported well at the close by a 15-point gain on the Dow Industrial Average in early trading on Wall Street, London finished just under the best but on a firm trend.

The final reading showed the FT-SE 100 16.5 up on the day at 2,844.2. The index was swollen by the strong gain in Reuters, the global communications group, which yesterday confirmed reports of a substantial repurchase of stock on terms generous to current market levels.

The FT-SE Mid 250 Index, the broader-ranging measure of UK stocks, also recovered ground, ending 12.3 ahead at 3,215.2. Business in the non-Footsie stocks increased smartly to make up about 66 per cent of the day's total Seaq volume of 483.6m shares; but Seaq business was down sharply from Friday's 539.6m, worth £1.2bn.

The fall in equity trading volume was seen by many analysts of a warning of thin times ahead as the summer months take their toll of a stock market still seeking confirmation of a recovery in corporate profits.

While the standing of Mr Major's UK government remains uncertain and is expected to suffer a serious setback at the Christchurch polls on Thursday, attention in the stock market has now moved back to more general prospects for the British economy.

With the latest data signalling improvement in the domestic economy and currency markets pointing to pressure for a cut in German interest rates, which would imply a further cut in UK rates, equity strategists see the UK stock market continuing to rally from the lower end of its FT-SE 2,800–2900 trading range.

The market was assisted yesterday by renewed support for some of the sectors badly hit in recent weeks. Pharmaceutical stocks extended their gains and leading oil stocks were also wanted by both UK and US buyers.

There was support for the UK bank stocks ahead of the reporting season due shortly, which is expected to bring confirmation of improvement in profits and in the bad debt situations prompted by the worst days of the property recession.

Although the strength of sterling is seen as a threat to the export performance of the blue chip market leaders, investors still chose to concentrate on the improved likelihood of a cut in domestic interest rates.

However, gains in the store and retail groups were fairly modest yesterday, with some sector analysts pointing to the heavy pressure of price competition. Dealers commented that investors were hunting for bargains rather than chasing underlying value.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group†	8,800	64	+3
Abbey National†	1,300	395	+1
Albert Fisher	435	83	
Allied-Lyons†	808	544	+2
Anglian Water†	1,000	471	-2
Argos	75	316	
Argyll Group†	1,700	296	+5
Arjo Wiggins†	2,900	179	+5
Assoc. Brit. Foods†	175	459	+2
Ass. Brit. Ports	180	415	
BAA†	554	740	+2
BAT Inds.†	2,800	447	-2
BET	636	119	
BICC	230	398	+5
BOC†	2,000	682	+2
BP†	5,300	294½	+½
BPB Inds.	5,100	212	+3
BT†	5,600	417	+½
BT (P/Paid)	11,000	172½	+½
BTR†	5,400	371½	+1
Bank of Scotland†	324	153	+2
Barclays†	3,200	474	+6
Bass†	744	471	
[illegible]	[illegible]	[illegible]	[illegible]
British Steel†	3,900	109	
Bunzl	376	123	-2
Burmah Castrol†	141	709	+4
Burton	57,000	74½	+3¼
Cable & Wire.†	1,100	774	+8
Cadbury Schweppes†	2,000	452	+10
Calor Group	148	249	+2
Carlton Comms.†	311	741	+2
Coats Viyella†	1,600	230	-3
Comm. Union†	498	612	+3
Cookson	711	205	-1
Courtaulds†	340	520	-2
Dalgety	154	442	+3
De La Rue†	225	858	+7
Dixons	817	212	+1
Eastern Elect.	346	489	+2
East Midland Elect.	686	471	+7
Eng China Clays	654	419	-1
Enterprise Oil†	59	444	+2
Eurotunnel Units	16	407	+3
FKI	409	159	+½
Fisons	1,000	157	+5
Foreign & Col. I.T.	2,300	234	+2
Forte†	2,300	221	
Gen. Accident†	811	636	+3
General Elect.†	2,400	339	+3
Glaxo†	1,800	540	+4
Glynwed Int.	1,400	290	
Granada†	1,500	393	+1
Grand Met.†	2,800	398	
GUS A†	58	1831	+8
GRE†	1,300	184	+1
GKN	1,600	465	-8
Guinness†	1,500	444	-3
HSBC (75p shs)†	1,600	634	+8
[illegible]	[illegible]	[illegible]	[illegible]
Kingfisher†	992	605	+1
Kwik Save	594	696	+4
Ladbroke†	2,200	177	-2½
Land Securities†	923	607	-1
Laporte	33	598	
Legal & General†	1,600	464	-6
Lloyds Abbey	1,000	409	-3
Lloyds Bank†	882	567	+9
LASMO	1,000	136	-1
London Elect.	224	502	+8
Lonrho	837	125	-1
Lucas	621	144	+1
MB Caradon†	1,000	288	
MEPC	704	460	+6
MFI	498	134	+1
Manweb	248	532	+4
Marks & Spencer†	1,600	336	
Midlands Elect.	364	511	+5
Morrison (Wm.)	1,300	138	+4
NFC†	185	230	-2
NatWest Bank†	2,600	499	+6
National Power†	235	357	+5
Next	3,100	179½	+3½
North West Water†	1,000	485	
Northern Elect.	371	831	+7
Northern Foods†	146	260	+5
Norweb	609	541	+6
Pearson†	235	440	+4
P & O†	2,300	640	+6
Pilkington	3,600	134	+2
PowerGen†	690	379	+1
Prudential†	8,000	305	-4½
RMC†	231	781	+5
RTZ†	1,500	685	-9
Racal	198	234	+4
[illegible]	[illegible]	[illegible]	[illegible]
Ryl Bk Scotland†	1,200	294	+3
Royal Insurance†	831	323	
Saatchi	1,700	160	
Sainsbury†	2,200	467	+9
Scottish & New.†	677	432	+2½
Scot. Hydro-Elect.†	409	345	+1
Scottish Power†	659	323	
Sears†	1,800	98	+1
Sedgwick	592	189	+1
Seeboard	395	530	+4
Severn Trent Water†	385	469	+1
Shell Transport†	1,700	620	+5
Siebe†	333	495	+1
Slough Ests	441	227	
Smith (W.H.) A	267	444	+5
Smith & Nephew†	1,200	141½	+½
SmKl Beecham†	2,900	448	+13
SmKl Beecham Uts.†	162	399	+12
Smiths Inds.	133	352	-1
Southern Elect.	307	499	+4
South Wales Elect.	8	549	+5
South West Water	41	505	+2
South West. Elect.	425	498	+7
Southern Water	21	490	+2
Standard Chartd.†	647	823	+5
Storehouse	1,200	191	+2
Sun Alliance†	850	370	-4
T&N	1,400	192	-2
TI Group†	702	334	+3
TSB†	1,200	184	-½
Tarmac	3,300	135	+2
Tate & Lyle†	1,100	391	+7
Taylor Woodrow	756	110	+1
Tesco†	3,700	205	+2½
Thames Water†	715	475	+2
[illegible]	[illegible]	[illegible]	[illegible]
Warburg (SG)†	52	717	+1
Wellcome†	554	640	+2
Welsh Water	103	541	+2
Wessex Water	29	570	
Whitbread 'A'†	754	495	+1
Williams Hldgs.†	1,300	315	+6
Willis Corroon	2,800	220	+6
Wimpey	712	172	-7
Wolseley†	643	823	+6
Yorkshire Elect.	481	526	+5
Yorkshire Water	115	485	+1
Zeneca†	1,100	618	+5

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:	Jul 19	Aug 2	Aug 16
Option Declarations:	Jul 29	Aug 12	Sep 2
Last Dealings:	Jul 30	Aug 13	Sep 3
Account Day:	Aug 9	Aug 23	Sep 13

*New time dealings may take place from 8.30am two business days earlier.

Market focus on Boots

FURTHER speculation over the likely direction of strategy at Boots, the UK retail and drugs group, inspired another day of hefty turnover in the shares. Weekend press speculation added to rumours that Boots may be considering disposing of its drugs research arm, following the decision to withdraw Manoplax, its top-selling heart drug.

The company has made no comment on the wide-ranging rumours which have raised questions over the future direction of the company. The situation gained added spice last night as City analysts met Boots' management to discuss the question.

Doubts over the future of the drugs arm prompted further concern in the media over the group's loss-making home products business, Do It All, shared as a joint venture with W.H. Smith. One newspaper suggested that the division would be rationalised and given a more up-market image. However, many analysts were sceptical, because of the costs of the leases on many of Do It All outlets.

Do It All has suffered from the intense competition in the home products market, which has involved frequent price wars and tight margins. Any attempt to make the business more quality-led and compete with J. Sainsbury's Homebase would be very fraught, according to analysts.

The speculation boosted Boots' shares, one analyst commenting that "it shows that the company is not afraid to consider biting the bullet". They closed 10 up at 442p in very heavy turnover of 8.5m. W.H. Smith "A" appreciated 5 to 444p.

Hectic Reuters trade

Shares in Reuters Holdings, the international information and news group, forged ahead in hectic trading after it confirmed weekend speculation of a share buy-back scheme.

The company was forced to issue its confirmatory statement, just 24 hours ahead of its results, saying it was to distribute up to £350m, through the repurchase of 5.8 per cent of its ordinary shares at £14 a share.

The stock raced forward as the big pension funds bought heavily, realising that the offer was worth around £17.20 a share to them because of a tax credit opportunity.

At the day's best, the shares were up 54 at 1460p, but they surrendered some of the earlier gain when US investors failed to follow the lead set by London, choosing instead to await the outcome of today's interim figures.

By the close the gain had been trimmed to 25 at 1440p, with volume totalling 6.4m shares, the highest daily total for 2½ years.

Mr Brian Newman of Henderson Crosthwaite expects half-time profits of £210m. Mr Alastair Smellie at Lehman Brothers predicted £211.5m and also forecast a large increase in the dividend.

Portland rights

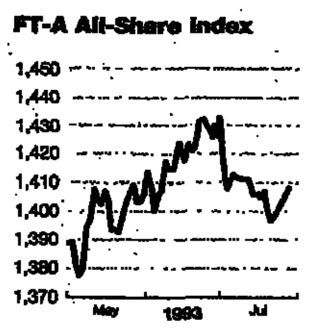
After so many of the recent rights issues from the property sector had achieved take-up percentages in the high 90s, Great Portland's announcement of a 91.1 per cent acceptance at first appeared slightly disappointing. But sector analysts rated the issue a success against what one specialist described as a highly competitive background.

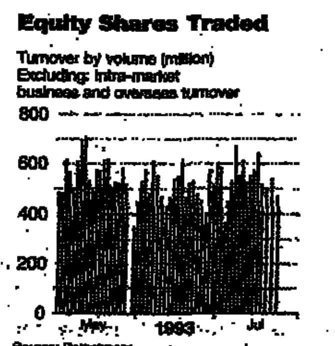
Great Portland lost 4 to 191p in a turnover of 1.1m. The placement of nearly 10m shares by Cazenove could have had a slight knock back effect, although the shares, which comprised the 4.8m rump of the issue and 5m from existing holders, were spread evenly through the market, said the analyst. The placing of the shares at 189p was thought reasonable.

Elsewhere in property, trading was subdued. MEPC made positive ground, moving ahead 6 to 460p. Brixton Estates pushed up 3 to 220p.

International trading group BAT moved against the market trend as dealers continued to focus on last week's news that price cuts from a US competitor were to be confirmed. Changes in regulation in the insurance sector were also said to have dampened enthusiasm. The shares closed 2 lighter at 447p, in trade of 2.8m.

A feeling that the recent run





on food manufacturing shares in general and those with strong brands in particular was overdone led to a strong showing in the sector. Among these, Cadbury-Schweppes gained 10 to 452p, Northern Foods 5 to 260p, Tate and Lyle 7 to 391p, United Biscuits 7½ to 366p and Unilever 7 to 960p.

There was also a bounce for the much-maligned food retailers. The spate of recent downgradings – analysts are worried about overcapacity and poor margins – has led some in the market to suggest some value might now be showing in selected stocks. Asda climbed 2¾ to 64p, Argyll Group 5 to 296p, J Sainsbury 9 to 467p and Tesco 2½ to 205p.

A squeeze in Burton helped the shares edge 3¼ to 74½p.

Components group GKN was knocked by a double downgrading of profit expectations. The shares closed 8 lower at 465p, after Hoare Govett weighed in with a sharp cut in its profits estimates. The securities house reduced the current year's figure by £23m to £112m and the following year's forecast by the same figure to £130m, citing continued weakness in the European automotive market. Nomura added its weight to the negative sentiment.

Hopes of strong sales in the month of August helped motor dealer T Cowie gain 6 to 237p.

Hoare Govett was said to be negative on BBA, which shed 1½ to 162½p.

British Aerospace gained 5 to 409p, on further hopes of a favourable outcome to its negotiations for its regional jets joint venture with Taiwan. Talk of a big and lucrative order for Airbus aircraft, for BAe builds the wings and in which it holds a 20 per cent stake also boosted sentiment.

Shares in Union Discount moved 7 ahead to 158p after the company reported a recovery in profits. Union said the continued economic upturn would enable it to reasses the prospect of resuming dividend payments. Interim profits came in at £11.3m, against a loss of £14.8m a year earlier.

Lloyds Bank were wanted ahead of figures on Friday and the shares put on 9 to 567p.

Among oil stocks, Shell Transport finished 5 ahead at 620p after Strauss turnbull reiterated its buy recommendation on the stock. The broker believes the company will benefit from group rationalisation currently taking place.

Speculation about a management shake-up at Scottish TV hung over the shares, which finished down 7 at 509p.

Shares in the life insurance sector continued depressed, following last week's order from the UK Treasury for new rules requiring companies to disclose more about their products. Legal & General gave up another 6 to 464p, while Lloyds Abbey Life shed 3 to 409p.

Strong interest in a bond issue by Anglian Water led lead manager Schroder to up the size from £60m to £65m. The money is to be partly used to refinance the £36m Nordic Water acquisition. Anglian's share price fell back 2 to 471p.

The positive sentiment surrounding Hartstone's recent standstill agreement with its bankers continued to bouy the share price. It moved up 4 to 60p.

A fall in profits knocked Merrydown and the shares slumped 16 to 268p. A bright start for a new Centre Parc site saw Scottish and Newcastle gain 2½ to 432p. Positive press comment on Greenalls Group was said to have helped the shares which ended 5 ahead at 356p.

Guinness retreated after LVMH, the French luxury goods group which has a 24.6 per cent cross-holding in the brewer, forecast that its first-half 1993 earnings would drop by a quarter. LVMH said the fall was due to a downturn in the champagne business. Guinness shares rallied to close 3 down at 444p.

The move by Coats Viyella to issue £70m of senior convertible bonds knocked 3 off the shares which closed at 230p. The company said that the issue would be used to reduce short-term borrowing.

Caution over Emap's remarks last week about the cost of new magazine launches continued to gnaw at the share price with a fall of 9 to 323p.

MARKET REPORTERS:
Joel Kibazo,
Christopher Price,
Christine Buckley.

■ Other statistics, Page 26

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (111).
[illegible] (34) Bankers, CU Environmental Wts., Cont'l Assets, Do Wts., Drayton Far East, Dunedin Worldwide, English & Scot. Wts., Euro. Assets, Euro. Smllr. Co's, Fleming Contl., Fleming O'seas., Foreign & Colonial, Foreign & Col. Enterprise, Foreign & Col. Smllr. Co's, Gen. Cons. Stppd. Pf., Greenfriar Inv., Jupiter Euro., Kleinwort O'seas., Latin Amer. Wts., M & G Recovery Inc., Do Geared Units, Mexico Fd., Murray Inc., Murray Smllr. Mkts., Do B, New Frontiers Dev., Olim Zero Pf., Rights & Issues Inc., River & Merc. Stppd. Pf., Scot. Nat'l. Stppd. Pf., Sphere Inc., TR Euro. Growth, TR Tech. Stppd. Pf., World Tst. Wts., MEDIA (2) More O'Ferrall, Reuters, MERCHANT BANKS (2) Schroders, Do N/V, MISC (2) Norbain, Platignum, MOTORS (2) Caverdale, First Tech., OTHER FINCL (7) Intrum Justitia, Jupiter Tyndall, Oceana Cons., Perpetual, Rathbone Bros., Tyndall Aust., Union Discount, OTHER INDLS (2) Elvam, Tex. Vinten, PACKG, PAPER & PRINTG (3) Low & Bonar, Macfarlane (C), Smith (DS), PROP (8) Asda Prop., Brixton Est., Daejan, Evans of Leeds, Gt Portland 9½pc Cv. '02, Land Sec., MEPC, Trafford Park, STORES (4) Arnotts, Essex Furn., Fine Art Dev., Rosebys, TEXTS (2) Honeysuckle, Worthington, TRANSPORT (3) Brit. Airways, Do 9¾pc Cv., Nat'l. Express, WATER (3) Cheam A, Do B, South Staffs., MINES (2) Antofagasta, Waverley Fin.
NEW LOWS (21).
BREWERS (1) Guinness, BUSINESS SERVS (2) Rolfe & Nolan, Salvesen (C), CONTG & CONSTRCN (1) Campbell & Armstrong, ELECTRONICS (2) Division, Linx Prntg., FOOD MANUF (2) Bols Wessanen, Nestle (Reg.), HEALTH & HSEHOLD (2) Brit. Bio-Technology, Intercare, MEDIA (1) EMAP, MISC (3) Applied Holographics, Pentland, Pittards, OTHER INDLS (2) AAF, Scapa, PACKG, PAPER & PRINTG (2) Microgen, St Ives, STORES (2) Alexon, OS, TRANSPORT (1) NFC.

FINANCIAL TIMES EQUITY INDICES

	July 26	July 23	July 22	July 21	July 20	Year ago	* High	* Low
Ordinary share	2254.2	2234.6	2226.3	2220.1	2221.3	1767.0	2299.5	2124.7
Ord. div. yield	4.09	4.13	4.14	4.15	4.16	5.25	4.52	4.07
Earning yld % full	4.87	4.92	4.93	4.95	4.95	7.80	6.38	4.82
P/E ratio net	26.28	26.04	25.95	25.87	25.85	16.76	26.57	19.40
P/E ratio nil	24.28	24.06	23.97	23.90	23.88	15.42	24.60	18.14
Gold Mines	214.9	218.4	210.6	218.1	221.4	90.5	239.3	60.0

*for 1993. Ordinary share index since compilation: high 2299.5 10/3/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2236.3	2241.0	2251.3	2250.0	2252.0	2252.4	2251.0	2250.9	2253.1	2254.7	2237.6

Volume	July 26	July 23	July 22	July 21	July 20	Year ago
SEAQ Bargains	25,503	24,894	24,427	25,990	28,067	18,956
Equity Turnover(£m)†	-	1220.4	1286.9	1327.1	1455.9	1273.1
Equity Bargains†	-	28,933	30,573	31,458	32,793	21,333
Shares traded (mil)†	-	474.8	538.8	500.5	515.3	525.6

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

SPIRITS were lifted in stock index futures as interest rate cut hopes gained momentum ahead of Thursday's meeting of the Bundesbank council, writes Christine Buckley.

Optimism made a reappearance after a prolonged absence from the market as dealers became more hopeful that Germany would be forced to reduce its interest rates to save the European exchange rate mechanism, so creating a climate more conducive to rate cuts in the UK.

Any market relief at the parliamentary progress on Maastricht was tempered by concern over the Christchurch by-election.

The September contract on the FT-SE 100 Index began at 2,839 and embarked on an upward course, reaching the day's peak in mid-morning trading at 2,860.

Apart from interest rate optimism there was some feeling that the contract had suffered from over-selling in recent sessions and was due for a rally.

That comeback floundered slightly in the afternoon session and September drifted towards a close of 2,858, with a modest volume of 6,444 contracts recorded.

Traded options dropped in volume from Friday's trading, with 22,088 lots changing hands against 27,566. British Steel was the highest traded stock option at 1,630 lots, with much of that action coming from one purchase of October puts.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2844.2 +16.5	3215.2 +12.3	1409.55 +7.16

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1993 high	1993 low	Yield Int.
"Shorts" (Lives up to Five Years)						
Funding 6pc 1993‡‡		100	—	100¼	99⅞	6.00
Treas 13¼pc 1993‡‡		102⅞	—	105⅛	101½	13.41
8½pc 1994		101⅞xd	—	102⅞	101⅛	8.38
14½pc 1994‡‡		105⅞xd	—	109¼	105⅛	13.78

Continued on next page

CROSSWORD

No.8,212 Set by DANTE

ACROSS
1 Cut lumber (6)
4 Guarantees certain bonds (8)
9 Eat, but not seriously by the sound of it (6)
10 Bless me! A strange get-together (8)
12 An event Jews won't forget or ignore (8)
13 Poisoner catches general unawares (6)
15 Sadie Thompson's downfall (4)
16 Table inlaid with nacre design for a place of worship (10)
19 Singer has tension after her work (10)
20 First sign of rust in rotten nail (4)
23 Untidy arrangement that would horrify Mrs. Grundy (6)
25 Divide and eat pears, perhaps (8)
27 Exaggerate the speed of cricket (8)
28 A real sport! (6)
29 One of the blessings of city life (8)
30 Stopped wearing corsets (6)

DOWN
1 Master taking physical training ? (7)
2 So dieting upsets one's assimilation of food (9)
3 Lobs in new capital (6)
5 Ill-fitting suit from the Outer Hebrides (4)
6 Plain-chant? (8)
7 Initially it may be uphill, even steep (5)
8 Jack may work on this ecclesiastical point (7)
11 Rips are put in order by mending (7)
14 Lead on? (7)
17 With assurance, indeed (9)
18 Secret coteries broken up (8)
19 What to do when a player offends badly (4,3)
21 Got into gear? (7)
22 Money sought by some scouts (6)
24 Live d— prosperously (5)
26 Reader's plea for original expression (4)

Solution 8,211

JOTTER PAD

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		17¼xd	+⅜	20⅞	15⅞	14,436	2.5
Allegheny & W	♥	816p	—	852p	399p	328.1	3.1
Amdahl		349p	—	561p	302½p	391.9	0.9
Amer Cyanamid		35⅝	—	38⅝	31¼	3,211	2.9
Amer Express		21¼xd	+¼	21¼	14⅞	10,487	2.8
Amer T & T		42½xd	-1⁄16	43	33⅛	56,520	2.0
Ameritech		52	—	54½	46	22,787	4.5
BankAmerica		29⅛xd	+1⁄16	38⅛	27⅛	10,240	3.0
Bankers NY		50½xd	-⅛	52⅛	42⅝	4,053	3.9
Bell Atlantic		38⅞	+⅛	39½	32¼	16,888	4.3
BellSouth		37⅞	+⅛	38⅞	32⅞	18,588	4.7
Bethlehem Steel	♥	12¼xd	-1⁄16	13¼	10	1,168	–
Bowater		1308pxd	+15	1682p	1287p	472.8	1.9
CPC		27⅛xd	-¼	34⅝	26	4,089	3.0
California Engy		1234p	—	1479p	1086p	224.7	–
Chase Manhattan		21⅛xd	+1⁄16	24½	17⅞	3,336	3.6
Chrysler		30⅛xd	+⅛	32⅛	21¼	8,803	1.3
Citicorp		21¼xd	+⅛	21⅛	13⅞	7,788	–
Colgate-Palm		33⅛xd	+⅛	45⅝	32⅞	3,279	2.7
Cont'l Bank		1580p	-9	1877p	1278p	1,696	2.4
Dana		35⅛xd	+1⁄16	35⅞	29⅞	1,684	2.8
Data General		582p	—	951p	532p	180.6	–
Decora Inds	♥	120p	—	146p	109p	–	–
Dun & Brad		40⅞	-½	42⅞	37⅛	7,174	3.9
Exxon	h	29⅛	—	31⅛	25⅞	2,036	2.4
Echlin		20xd	-¼	20½	15⅞	1,148	2.2
FPL		26xd	+⅛	27⅝	23¼	4,723	6.0
Ford Motor		34⅞xd	-1⁄16	38½	28⅞	17,023	1.8
Gen Elect		65⅛xd	+1⁄16	67⅛	53⅞	66,832	2.4
General Host	♥	549p	+8	728p	513p	–	4.1
Gillette		34⅞xd	+1½	42⅞	31⅞	7,585	1.5
Hasbro		20⅞	—	20⅞	20⅞	1,819	0.7
Honeywell		24¼xd	—	26½	20⅞	3,314	2.3
Houston Inds		30	-⅛	33⅛	28¼	3,885	6.3
Ingersoll-Rand		22¼xd	+1⁄16	25	19⅞	2,324	2.0
Lockheed		44⅞	-⅝	46⅛	35⅛	2,722	3.0
Lowe's	h	2484p	+15	2881p	1573p	1,818	0.7
Maxwy Technology		154p	-4	283p	127p	–	–
Merrill Lynch		56⅛xd	+1⅞	57⅞	37	5,767	1.3
Morgan (JP)		45⅞xd	-⅛	49⅞	38⅛	8,873	3.7
Morris (Philip)	♣	37⅝xd	+1⁄16	52⅞	28⅞	27,714	5.2
NYNEX		60	-⅛	64⅛	52¼	12,382	4.9
Pall		11⅛	+¼	15	11	1,317	1.8
Pennzoil		41⅞xd	+⅛	44⅞	31⅞	1,885	4.6
Quaker Oats		43⅝xd	-⅝	50⅞	39⅞	3,145	2.8
Questex		154p	—	228p	16½p	18.2	–
Rockwell		21⅞xd	+1⁄16	22⅞	18⅞	4,688	2.9
Rep NY		34¼xd	+⅛	37⅞	29⅛	1,818	2.0
Sears, Roebuck		33⅞xd	+⅛	33⅞	18⅞	8,724	3.0
Streetsam Bell	h	26⅛	+⅛	26⅞	23⅛	18,843	3.6
Sun Co		17½xd	+¼	21⅛	14⅛	1,898	6.5
Tenneco		33¼xd	+⅛	34⅞	25½	5,611	3.0
Texaco		41⅝xd	+1⁄16	44⅛	37⅛	10,778	4.8
Time Warner	h	25⅞xd	+1	26⅞	18⅝	9,613	0.7
Unitab	♥	468p	—	468p	358p	213.1	–
US West		31¼	-¼	31⅛	24⅛	12,851	4.3
Varity		2211p	+23	2285p	1686p	688.6	–
WMX Technologies		20⅞xd	+⅛	27⅞	19⅛	10,207	1.8
Whirlpool		4115pxd	+22	4115p	2624p	2,876	1.9
Woolworth	♥	17⅛	+1⁄16	21½	16⅞	2,245	4.1

CANADIANS

	Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbot Energy	♥	2p	—	2p	2p	–	–
Amer Barrick		1623p	+18	1760p	890½p	4,611	0.5
Bk Montreal	h	13¼	—	14	11⅛	3,411	4.1
Bk Nova Scot		1312p	-27	1428p	1111p	2,724	4.3
BC Gas	♥	832p	—	851p	723p	–	3.6
BCE		22⅛	-⅛	26⅛	20⅞	6,853	5.9
Brascan	♥	683p	—	721p	454p	563.3	8.0
Breakwater	♥	11p	—	16½p	10p	7.00	–
Can Imp Bk		1656p	-28	1749p	1228p	3,290	4.0
Can Pacific		1014p	—	1111p	810p	3,234	1.6

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

For Vizcaya see Premier Land under PROPERTIES

INVESTMENT COMPANIES

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MEDIA

MOTORS

OIL & GAS

STORES

PACKAGING, PAPER & PRINTING

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ф Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on MMR "Headline Earnings" draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣ . Ring 081 643 7181 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT1632. [If calling from outside UK, dial +44 81 643 7181 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, international) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Singer & Friedlander UT Mgmt Ltd (1000)F

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
European Trust	6	51.98	52.15	55.48	+0.29	1.07
Far Eastern Tst	6	[illegible]	64.37	68.48	+0.41	0.41
Smaller Cos	5	155.7	160.8	171.8	+8.0	1.52

Robert Fleming Asset Mngmt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Am Exempt	[illegible]	[illegible]	+8.30	1.58
Gen Exempt	[illegible]	[illegible]	+0.60	3.30
Jap Exempt	[illegible]	[illegible]	-3.84	1.04
Pacific Exempt	[illegible]	[illegible]	+1.72	1.58
Contl Euro Exempt	[illegible]	[illegible]	+1.23	2.25

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Providence Capital Life Assc. Co Ltd - Contd.

Alpha Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
UK Alpha		229.4	+1.6	-
US Alpha		122.3	+0.8	-
Gilt Alpha		87.8	—	-
Gold Alpha		84.4	—	-
Japan Alpha		48.8	+0.6	-
US Dollar Alpha		78.4	+0.3	-
Yen Alpha		82.5	+0.7	-
DM Alpha		86.0	—	-
European Alpha		88.1	+0.4	-

Provident Life Assoc Ltd

Provident Way, Basingstoke RG21 2SZ 0256 470707

Gold Range (Pensions)

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund		157.1	+0.6	-

Provident Mutual Life Assc. Assn.

6 Hills Way Stevenage Herts SG1 2ST 0438 732000

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ord	420.1	442.2	+1.8	-
Managed Init	296.1	311.7	+1.1	-
Equity Ord	625.5	658.4	+3.1	-
Equity Init	440.9	464.1	+2.1	-
Index Linked Gilt Ord	197.7	208.1	-0.1	-
Index Linked Gilt Init	145.6	153.3	—	-
Overseas Equity Ord	339.6	356.4	+1.1	-
Overseas Equity Init	238.6	251.2	+0.8	-
Property Ord	229.6	241.7	+0.1	-
Property Init	161.9	170.4	+0.1	-
Fixed Interest Ord	267.7	281.8	+0.3	-
Fixed Interest Init	188.7	198.6	+0.2	-
Deposit Ord	197.4	207.8	—	-
Deposit Init	139.1	146.4	—	-

Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ord	634.9	694.1	+2.6	-
Managed Init	391.1	411.7	+1.7	-
Equity Ord	[illegible]	[illegible]	[illegible]	-

Scottish Amicable

150 St Vincent St, Glasgow 041-248 2323

Life Funds (First Series)

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	408.8	430.2	+1.00	-
Equity	508.4	535.3	+1.70	-
Property	249.5	298.4	+0.20	-
International	404.0	425.3	+0.50	-
Japanese	116.4	122.6	+0.20	-
Asia Pacific	139.3	146.7	+0.70	-
European	109.4	115.2	+0.10	-
American	145.3	153.0	—	-
Fixed Interest	349.5	368.9	+0.70	-
Index-Linked Gilt	190.0	200.0	—	-
Cash	220.9	232.5	+0.10	-

Life Funds (Second Series)

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	113.8	119.8	+0.20	-
Equity	109.6	115.4	+0.40	-
Property	102.4	107.8	+0.10	-
International	125.0	131.6	+0.20	-
Japanese	116.7	122.9	+0.10	-
Asia Pacific	136.8	144.0	+0.70	-
European	108.5	114.2	+0.10	-
American	142.1	149.6	—	-
Fixed Interest	131.1	138.1	+0.30	-
Index-Linked Gilt	121.6	128.0	—	-
Cash	109.7	115.5	+0.10	-

Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Building Society	174.4	183.6	+0.10	-
Managed (Init)	236.0	248.5	-6.30	-
Managed (Acc)	470.7	495.5	+1.40	-
Equity (Init)	264.5	278.5	-7.00	-
Equity (Acc)	527.6	555.4	+1.90	-
Property (Init)	159.6	168.6	-4.40	-
Property (Acc)	300.5	316.4	+0.30	-
International (Init)	238.6	251.2	-7.00	-
International (Acc)	475.8	500.8	+0.30	-

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Hill Samuel Fund Mgrs - Contd.						
Intnl. Bond Fund						
Sterling Managed	3½	£11.78	11.78xd	12.31	+0.05	7.62
US Dollar Managed	3½	$13.08	13.08xd	14.27	+0.02	5.36
International Currency Fund						
Sterling Managed	3½	£32.64	32.64	33.82	-0.02	-
US Dollar Managed	3½	$31.36	31.36	32.86	+0.01	-
Sterling	0	£23.64	23.64	28.64	+0.01	4.85
US Dollar	0	$40.15	40.15	40.15		1.79
Deutschmark	0	DM70.45	70.45	70.45	+0.03	6.10
Japanese Yen	0	Y5151	5151	5151		1.85
Swiss Franc	0	SFr52.70	52.70	52.70	+0.02	3.60
Irish Punts	0	I£25.64	25.64	25.64	+0.01	5.45
Lloyds Bank (CI) U/T Mgrs.						
PO Box 195, St Helier, Jersey 0534 284242						
Lloyds Int. Gilt	3½	£10.380	10.380xd	10.760	+0.010	7.43
Dealing daily						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey 0534 606000						
Intl Circuit Portfolio	5	£1.2378	1.2378	1.3124	+0.005	0.10
Gilt	3	£1.0063	1.0063xd	1.0367	+0.002	7.69
Prudential Fund Managers (Jersey) Ltd						
PO Box 103, St Helier, Jersey 0534 70000						
Prudential Currency Fd (Formerly Vanbrugh Currency Fd)						
Income (A & B)	5	212.1	212.1	222.8	-0.1	3.39
Growth (C & D)	5	319.5	319.5	335.8	-0.2	-
Royal Trust Jsy Fd Mngt Ltd (1400)F						
PO Box 428, St Helier, Jersey 0534 27441						
Govt Secs Fd	4	56.06	56.06	58.38	+0.05	7.54
Standard Bank Fund Mgmt (Jersey) Ltd						
PO Box 583, St Helier, Jersey CI 0534 67557						
International Bond	5		$ 15.95	16.87	-0.08	4.56
Sterling Bond	3		£ 0.944	10.29	+0.01	6.41
Sterling Cap			£ 42.71	42.73	+0.02	5.30
TSB Trust Funds (CI)						
PO Box 538, St Helier, Jersey 0534 503002						
TSB Offshore Investment Fund Ltd						
Stg Deposit Class	3	101.58	101.58xd	104.63	+0.04	5.00
Gilt & Fixed Interest	3	119.29	119.29xd	123.63	-0.06	7.49
Gilt Cap & Gilt Edged	5	60.00	60.00	63.16	+0.40	3.61
International Bond	5	137.16	137.16	144.34	-0.08	4.92
UK Equity	5	252.32	261.00	274.73	+0.54	1.26
International Equity	5	181.83	184.26	193.98	+1.14	0.38
Far Eastern	5	171.72	175.01	184.22	-1.40	0.36
European	5	128.69	129.94	136.78	+1.47	0.00

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Banque Scandinave a Luxembourg SA						
16 Boulevard Royal, L-2449, Luxembourg						
Scandifunds						
Scandifund Equity Fund						
Equity Int. Acc.	5	$	16.23	17.05	-0.01	3.17
Equity Global	5	$	1.45	1.53		-
Equity Natural Res.	5	$	1.1	1.16	+0.07	-
Equity Japan Acc	5	Y	107.98	113.39	-0.43	-
Equity UK	5	£	1.37	1.45		-
Equity Nordic	5	$	1.21	1.28	-0.01	-
Equity North America	5	$	1.92	2.02	+0.02	-
Equity Mediterranean	5	$	0.86	0.91		-
Equity Cont Europe	5	$	1.43	1.51	-0.01	-
Scandifund Far East						
Far East Global	5	$	3.48	3.66		-
Scandifund Bond Fund						
Bond Int. Acc	1	$	12.3	12.43	-0.03	8.64
Europe Bond Acc	1	$	1.31	1.54	-0.01	7.15
Bond DEM Acc	1	DM	1.24	1.26		8.64
Bond USD Acc	1	$	1.41	1.44	-0.01	5.70
Bond Swedish Acc	1	SKr	18.85	18.83	+0.07	10.19
Scandifund International Sicav						
Intl Emerging Markets	5	$	1.06	1.13	+0.01	-
Barclays Diversified Portfolio						
14 rue Aldringen L-1118 352 4799 2639						
IPB Deutschmark Reserve		DM	31.52	-	-	-
IPB Sterling Reserve		£	10.38	-	-	-
IPB Swiss Franc Reserve		SFr	30.67	-	-	-
IPB US Dollar Reserve		$	20.37	-	-	-
IPB European Bond		Ecu	17.51	-	-	-
IPB North American Bond		$	21.36	-	-	-
IPB Espana		Pta	2810	-	-	-
IPB Europe		Ecu	18.47	-	-	-
IPB Japan		$	28.16	-	-	-
IPB Pacific Rim		$	22.84	-	-	-
IPB United Kingdom		£	10.97	-	-	-
IPB United States		$	21.25	-	-	-
Barclays Inv Funds (Luxembourg)						
41 Avenue de la Gare L-1611 010 352 404344						
Equity Funds						
European Equity	5¼	£	0.920	0.979	(z)	0.3
Intl Equity	5¼	£	1.447	1.540	(z)	0.6
North Am Eqty	5¼	$	33.61	35.74	(z)	0.3
Pacific Eq	4¾	£	6.246	6.641	(z)	0.5
UK Equity	5¼	£	1.102	1.173	(z)	2.8
Bond Fund						
International Bond	3½	$	99.06	104.28	(z)	5.3

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Jupiter Tyndall Global Fund						
13 rue Goethe L-1637 Luxembourg						
China Portfolio		£	1.29	1.36		
China Portfolio		$	1.95	2.05		
Tiger Portfolio		£	2.36	2.49		
Tiger Portfolio		$	3.55	3.73		
European Portfolio		£	1.33	1.41		
European Portfolio		$	2.00	2.11		
Wall Street Portfolio		£	1.80	1.90		
Wall Street Portfolio		$	2.70	2.85		
British Lion P'folio		£	1.31	1.39		
British Lion P'folio		$	1.98	2.09		
International P'folio		£	1.70	1.87		
International P'folio		$	2.67	2.81		
Japan Portfolio		£	1.38	1.46		
Japan Portfolio		$	2.08	2.19		
High Yield P'folio		£	1.20	1.27		
High Yield P'folio		$	1.81	1.91		
Korea Vision Portfolio		£	1.35	1.43		
Korea Vision Portfolio		$	2.02	2.13		
Taiwan Portfolio		£	1.13	1.20		
Taiwan Portfolio		$	1.71	1.80		
UK Smllr Cos Portfolio		£	1.08	1.15		
UK Smllr Cos Portfolio		$	1.63	1.72		
Kleinwort Benson Japanese Warrant Fund						
14 rue Aldringen Luxembourg						
NAV		$	7.208			
Kleinwort Benson Select Fund (u)						
14 Rue Aldringen L-1118 Luxembourg						
British		Ecu	2.78	2.96		
Emerging Asia		Ecu	2.38	2.55		
European		Ecu	2.05	2.17		
Japanese		Ecu	2.17	2.31		
Kleinwort Warrants		FM	17.07	18.12		
North American		Ecu	2.62	2.82		
Dollar Bond		$	2.10	2.21		
International Bond		Ecu	2.53	2.68		
European Bond		Ecu	3.28	3.44		
Convertible Bond		Ecu	2.41	2.53		
Yen Bond		Y	362.46	380.88		
Latin American Mngmt Group Ltd (u)						
Exchange Ho, Primrose St, Ldn, EC2A 2NY						
Argentinian Inv Co		$	16.93			
Brazilian Inv Co SICAV		$	24.01			
Latin Am Income Co SICAV		$	10.08			
Latin Amer Inv Co SICAV		$	8.32			
Mexican Inv Co SICAV		$	31.51			

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Belgians under fire in ERM

THE BELGIAN and Portuguese authorities were forced to raise their official interest rates yesterday as continuing tensions inside the European exchange rate mechanism put their currencies under pressure, *writes James Blitz.*

The French franc had a respite inside the ERM after two days of intense speculation against the currency at the end of last week. But the currency was still close to its ERM floor against the D-Mark at the European close, and dealers said that pressure could re-emerge after Thursday's Bundesbank council meeting.

Many dealers believe that the Bundesbank must cut its official interest rates by at least 50 basis points to alleviate tensions. The French franc closed yesterday at FFr3.414 from a previous FFr3.416. But at least one London based dealer said that large scale selling by international corporates and pension funds was continuing.

The main focus of interest in currency markets was on the Belgian franc which came under sharp selling pressure early in the European morning.

The Belgian currency opened at around BFr20.69 to the D-Mark but soon slipped to a low of BFr20.78. The Belgian franc also fell outside the 50 basis point margin which the country's central bank has imposed on the franc's parity against the D-Mark in the ERM grid.

The Belgian franc's fall forced the authorities to raise a series of official interest rates. Most importantly, the 7 day advances rate was lifted from 6.7 per cent to 8.5 per cent. This allowed the Belgian franc to appreciate to a close of BFr20.73 against the D-Mark.

The other rate rise in Europe yesterday was by the Central Bank of Portugal which raised its special facility rate by 2.5 percentage points.

In part, this was a response to pressures on the escudo last week. But the Portugyuese authorities will have been concerned by another sharp fall in the peseta's value yesterday, from Pta79.60 to as low as Pta80.40 at one stage. The peseta closed at Pta80.15, but the price of this crisis is that Spain remains unable to cut interest rates as it would like.

The Danish krone closed more or less unchanged at DKr3.8843 to the D-Mark. But Mr Mark Austin, treasury economist at Midland Global Markets in London, said that a depressing sign for the Danish currency was that it had not enjoyed a post-weekend rally similar to the one experienced a week ago.

Sterling, the Italian lira and the dollar all continued to profit from the ERM crisis with all these free floaters seen as safe-haven currencies.

The British currency rose to a high of DM2.5948 against the D-Mark at one stage, its highest level since the immediate aftermath of Black Wednesday, before closing at DM2.5900.

The dollar edged up over ½ a pfennig, to close at DM1.7245, bolstered by the view that the Bundesbank will cut rates.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jul 26	% Change from Central Rate	% Spread v Weakest Currency	Divergence Indicator
Dutch Guilder	2.19672	2.19085	-0.26	2.00	37
Irish Punt	0.808628	0.806996	-0.20	1.94	31
D-Mark	1.94964	1.94786	-0.09	1.82	37
Belgian Franc	40.2123	40.4169	0.51	1.21	-1
Portuguese Escudo	192.854	195.001	1.11	0.61	-19
Spanish Peseta	154.250	156.298	1.33	0.40	-23
Danish Krone	7.43679	7.56054	1.66	0.06	-54
French Franc	6.53883	6.65193	1.73	0.00	-70

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

£ IN NEW YORK

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

PARIS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls August	Calls September	Calls December	Puts August	Puts September	Puts December
118	-	2.32	2.53	-	0.10	0.53
119	-	1.46	-	0.01	0.21	0.82
120	0.38	0.75	1.26	0.12	0.52	1.24
121	0.05	0.32	0.62	-	1.04	1.80
122	0.01	0.11	0.49	-	-	-
Open Int	22,311	137,455	54,783	32,383	177,701	37,582

Estimated volume 36,357 † Total Open Interest 494,945
† All Yield & Open Interest figures are for the previous day.

MONEY MARKETS

French rates high

MONEY market interest rates throughout Europe remained on the high side yesterday at the start of another critical week inside the European exchange rate mechanism, *writes James Blitz.*

Pressure on the French franc subsided as dealers waited to see how the Bundesbank would respond to the latest crisis in the exchange rate mechanism at its council meeting on Thursday.

UK clearing bank base lending rate 6 per cent from January 26, 1993

French money market interest rates were more-or-less unchanged at 9.5 per cent. But dealers in the interest rate futures market were looking for more than 2 percentage points off 3-month French francs by the middle of September, with the September Pibor contract closing yesterday at 92.67.

The clear belief is that France will reduce interest rates either because the Bundesbank has done so or because the French currency has quit the ERM.

There was speculation that the Bundesbank would reduce interest rates at its council meeting this Thursday, but there were wide differences of opinion over the extent of the cut.

Some dealers felt that the Bundesbank would have to reduce the discount rate by a full percentage point to take pressure off the French currency. But the price of interest rate futures appeared to imply that a 50 basis point cut was in the offing.

In recent days, the September Euromark contract has gradually risen from 93.20 to a close of 93.40 last night. This implies that 3-month D-Marks would be at 6.60 per cent by mid-September – and that would imply a cut in the German discount rate, currently at 6.75 per cent, by at least 50 basis points.

Sterling interest rate markets were affected by the currency crisis yesterday, with dealers speculating that German rate cuts might allow the UK to ease policy.

In the middle of last week, the December short sterling contract hovered around the 94.20 level. Yesterday it closed at 94.39, up 6 basis points on the day. Some dealers believe that there could be a ½ percentage point cut in UK base rates later this year.

However, 3 month sterling cash was more or less unchanged on the day at 6 per cent. Most of a £1.65bn shortage forecast by the Bank of England was removed in the early round of discount market trading.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	●United Bk of Kuwait	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	Unity Trust Bank Plc	6
Barclays Bank	6	●Hill Samuel	6	Western Trust	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Whiteaway Laidlaw	6
●Brown Shipley	6	Hongkong & Shanghai.	6	Wimbledon & Sth West	7
CL Bank Nederland	6	Julian Hodge Bank	6	Yorkshire Bank	6
Citibank NA	6	●Leopold Joseph & Sons	6		
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close July 26

MONTREAL

4 pm close July 26

Total Sales 7,010,313 shares

INDICES

NEW YORK

DOW JONES	July 23	July 22	July 21	July 20	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3546.74	3525.22	3555.40	3544.78	3556.40 (21/7)	3241.95 (20/1)	3555.40 (21/7/93)	41.22 (2/7/32)
Home Bonds	107.48	107.82	107.65	107.48	107.82 (22/7)	103.49 (11/1)	501.97 (27/4/93)	54.99 (1/10/81)
Transport	1582.45	1575.99	1573.21	1568.94	1683.08 (18/4)	1453.84 (4/1)	1683.08 (16/4/93)	12.32 (8/7/32)
Utilities	247.10	246.84	246.84	245.85	247.89 (16/4)	217.14 (8/1)	247.68 (16/4/93)	10.50 (8/4/32)

DJ Ind. Day's High 3569.37 (3566.86) Low 3508.17 (3514.32) (Theoretical♠)
Day's High 3548.42 (3555.40) Low 3524.38 (3521.58) (Actual♠)

STANDARD AND POOR'S	July 23	July 22	July 21	July 20	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	447.10	444.51	447.18	447.31	456.33 (10/3)	429.05 (8/1)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials♥	507.33	504.36	507.61	507.81	524.99 (10/3)	498.48 (26/4)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	45.50	45.13	45.54	45.52	46.67 (13/4)	39.89 (8/1)	46.67 (13/4/93)	8.64 (1/10/74)
NYSE Composite	247.46	248.26	247.60	247.71	251.36 (10/3)	236.21 (8/1)	251.36 (10/3/93)	4.46 (25/4/42)
Amex Mkt. Value	432.05	431.36	433.31	433.79	440.95 (4/6)	395.84 (8/1)	440.95 (4/6/93)	29.31 (9/12/72)
NASDAQ Composite	700.24	695.52	700.08	701.90	712.49 (14/7)	645.87 (26/4)	712.49 (14/7/93)	54.87 (31/10/72)

	July 16	July 9	July 2	year ago (approx.)
Dow Industrial Div. Yield	2.95	2.93	2.98	3.13
	Jul 21	Jul 14	July 7	year ago (approx.)
S & P Industrial div. yield	2.55	2.52	2.58	2.68
S & P Ind. P/E ratio	26.09	25.37	24.89	28.50

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Telefonos	4,855,000	49⅛	+ 2⅞
USX US	3,504,200	35⅝	—
Progressive	3,316,100	37	- ¼
Chase Manhattan	2,782,200	32	—
IBM	2,488,100	42¼	- 1⅛
Blockbuster	2,321,600	24¼	+ ⅛
Utd Meridian	2,123,300	17	—
Country Mtg	2,088,100	7⅞	- ⅛
Walt Disney	1,810,900	38¼	+ 1⅛
Liz Claiborn	1,763,400	20⅛	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	July 23	July 22	July 21
New York SE	218.068	248.085	253.303
Amex	14.730	17.808	17.751
NASDAQ	(u)	256.823	255.931
NYSE			
Issues Traded	2,580	2,579	2,581
Rises	1,023	769	904
Falls	873	1,207	1,053
Unchanged	684	603	624
New Highs	50	69	83
New Lows	39	43	37

CANADA

TORONTO	July 23	July 22	July 21	July 20	1993 HIGH	1993 LOW
Metals & Minerals	2854.82	2838.87	2847.75	2850.56	3020.48 (2/7)	2743.31 (21/1)
Composite	3830.20	3838.50	3867.38	3876.14	3997.72 (2/7)	3275.80 (21/1)
MONTREAL Portfolio	1820.96	1820.96	1838.01	1850.70	1938.18 (25/6)	1720.97 (21/1)

Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

	July 26	July 23	July 22	July 21	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1795.7	1806.8	1802.6	1818.5	1818.50 (21/7)	1495.00 (13/1)
All Mining (1/1/80)	822.7	826.4	836.5	843.5	856.70 (12/7)	584.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	385.61	376.84	371.46	367.30	385.61 (26/7)	300.25 (14/1)
Traded Index (2/1/91)	982.42	936.90	923.25	912.57	982.42 (26/7)	712.06 (15/1)
BELGIUM						
BEL20 (1/1/91)	1307.18	1307.02	1301.86	(c)	1331.53 (15/7)	1125.46 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	310.39	310.02	310.97	311.69	314.85 (30/6)	261.90 (4/1)
FINLAND						
HEX General (28/12/90)	1226.4	1225.2	1240.7	1259.4	1259.40 (21/7)	843.10 (22/1)
FRANCE						
CAC General (31/12/81)	547.68	541.88	536.92	540.08	547.88 (26/7)	471.24 (13/1)
CAC 40 (31/12/87)	2006.22	1995.04	1965.72	1947.53	2035.91 (30/3)	1772.21 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	718.22	709.18	707.24	705.83	716.22 (26/7)	588.82 (14/1)
Commerzbank (1/12/53)	2035.8	2017.1	2011.6	2008.8	2035.80 (26/7)	1694.30 (14/1)
DAX (30/12/87)	1854.52	1830.83	1823.52	1823.81	1854.52 (26/7)	1516.50 (13/1)
HONG KONG						
Hang Seng Bank (31/7/64)	6858.08	6750.33	6760.02	6839.98	7447.24 (27/5)	5437.80 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	1624.33	1619.47	1628.70	1627.68	1639.76 (15/7)	1191.19 (11/1)
ITALY						
Banca Com. Ital. (1972)	548.39	550.17	552.57	558.37	561.74 (20/7)	446.33 (6/1)
MIB General (4/1/93)	1211.0	1213.0	1218.0	1231.0	1236.00 (20/7)	992.00 (11/1)
JAPAN						
Nikkei (16/5/49)	19822.08	19734.57	20115.81	20080.91	21076.00 (3/6)	16287.45 (25/1)
Tokyo SE (Topix) (4/1/68)	1615.55	1609.33	1634.29	1636.32	1676.13 (3/6)	1250.06 (25/1)
2nd Section (4/1/68)	2201.51	2207.87	2222.07	2225.35	2384.97 (7/6)	1651.72 (26/1)
MALAYSIA						
KLSE Composite (4/4/86)	758.35	757.65	758.76	761.60	761.60 (21/7)	614.28 (13/1)
NETHERLANDS						
CBS Tl.Rtn.Gen.(End 1983)	355.4	352.1	351.3	348.1	355.40 (26/7)	295.70 (4/1)
CBS All Shr (End 1983)	233.2	231.1	230.5	228.4	233.20 (26/7)	186.60 (13/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	853.33	847.44	847.48	848.43	856.66 (14/7)	569.93 (27/1)
PHILIPPINES						
Manila Comp (2/1/85)	1704.10	1715.78†	1706.95	1681.86	1715.78 (23/7)	1270.68 (4/1)
SINGAPORE						
SES All-Singapore (2/4/75)	454.63	450.21	448.42	451.19	468.48 (31/5)	394.10 (13/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1853.0♥	1863.0	1812.0	1861.0	2082.00 (7/7)	775.00 (5/1)
JSE Industrial (28/9/78)	4515.0♥	4527.0	4548.0	4568.0	4719.00 (6/7)	4333.00 (19/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	745.07	741.81	748.58	751.94	777.25 (9/6)	605.93 (6/3)
SPAIN						
Madrid SE (30/12/85)	261.64	260.40	258.99	258.21	264.92 (22/6)	215.60 (4/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1171.2	1154.5	1145.7	1142.4	1171.20 (26/7)	879.10 (28/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	1032.2	1020.2	1020.2	1002.4	1046.60 (13/7)	904.80 (11/1)
SBC General (1/4/87)	818.8	808.4	807.4	793.9	827.90 (13/7)	678.70 (11/1)
TAIWAN**						
Weighted Price (30/6/66)	4083.97	4027.58	3932.15	3906.97	5013.28 (7/4)	3098.43 (9/1)
THAILAND						
Bangkok SET (30/4/75)	880.54	894.07	897.44	894.55	998.44 (25/1)	818.84 (1/6)
WORLD						
M.S. Capital Intl.(1/1/70) $	568.8*	565.8	566.6	566.6	576.30 (3/6)	488.60 (13/1)
Euro Top-100 (26/6/90)	1045.58	1036.19†	1031.47	1023.32	1045.58 (26/7)	862.73 (13/1)

**Saturday July 24: Taiwan Weighted Price; 4030.42, Korea Comp Ex; 741.83.
♥ Subject to official recalculation. † Correction. *Calculated at 15.00 GMT

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000. JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Monday, July 26, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nikkatsu	3.6m	18	-1	Kawasaki Hvy Ind.	1.7m	404	-6
Hitachi	2.7m	835	+7	Osaka Gas	1.7m	530	+5
NEC Corp	2.2m	975	-11	Toray Industries	1.6m	647	+10
Mitsubishi Hvy	1.7m	847	-1	Gajoen Kanko	1.6m	135	-18
Sumitomo Mtl Ind.	1.7m	323	-4	Takasago Intl Co	1.6m	804	+24

4 pm close July 26

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
14⅝	11½	AAR Corp	0.48	3.5	81	117	13⅝	13⅜	13⅝	+⅛
29⅜	20	A L Labs A	0.18	0.7	44	36	25⅝	25⅛	25⅜	+¼
63⅞	54⅝	AMP Inc	1.60	2.6	21	2069	61	60⅜	60⅞	-⅛
72¾	55½	AMR			10	3619	65⅞	64¾	65⅜	-½
2¾	1¾	ARX			16	601	2⅝	2½	2⅝	+⅛
51½	29⅞	ASA	2.00	4.2	31	730	47⅜	46⅛	47¼	+1¼
30¾	22⅝	Abbott Lab	0.68	2.7	16	5060	25¾	25½	25⅝	-¼
12⅝	9⅞	Abitibi Pr	0.50	5.0	4	12	10	10	10	+⅛
14¼	8¼	Acpt Insn			235	58	14⅛	14	14⅛	
32	25½	ACE Ltd	0.40	1.4		202	28½	28	28½	+¼
12	10¾	ACM Gvt In	0.96	8.3		193	11¾	11⅝	11⅝	-⅛
10	9⅛	ACM GvOpp	0.80	8.0		39	u10	9¾	10	+⅛
9⅞	8¾	ACM Gvt Sp	0.80	8.4		199	9⅝	9½	9½	
11⅝	10½	ACM Gvt Se x	0.96	8.5		386	11⅜	11⅛	11¼	+[illegible]
11⅝	9⅝	ACM Man	1.08	9.6		310	11⅜	11¼	11¼	-⅛
9⅜	8⅝	ACM Managd	0.72	7.8		209	9¼	9⅛	9¼	
12⅜	7¾	Acme Cleve	0.44	4.0	14	89	11½	11	11	-⅛
9¼	6½	Acme Elect			258	17	7⅞	7¾	7¾	
24¾	18⅜	Acordia	0.44	1.9	14	45	23¾	23¼	23⅜	-½
16	10⅜	Acuson			14	1138	12⅞	12⅜	12⅝	+⅝
22¼	19⅝	Adams Expr	0.48	2.3	1	105	20½	20⅜	20½	+⅛
66	45½	Ad Micro	3.00	5.5		149	55¼	54½	55	+⅜
32⅜	17⅝	Ad Micro P	3.00	12.2	9	2394	24¾	24½	24⅝	+¼
7¾	5½	Advest Grp	0.16	2.8	9	34	5⅞	5¾	5¾	-¼
24¾	17¾	Advo Inc	0.08	0.4	19	612	18	17⅞	18	-⅛
49⅞	41⅛	Aegon ADR	2.95	6.7	8	109	44¼	44	44¼	+¼
59¼	43⅜	Aetna Lf	2.76	4.8	148	1450	u59⅜	57⅞	57⅞	-1⅛
14½	11½	AIM A	0.28	1.8	30	1390	14⅛	14	14⅛	
32¼	26⅔	Aflac	0.40	1.3	15	587	30	29⅝	29⅞	+¼
22⅛	16¾	Ahmanson	0.88	4.4	23	2853	20	19⅞	19⅞	

[illegible]

- B - [illegible]

- C - [illegible]

- D - [illegible]

- E - [illegible]

- F - [illegible]

- G - [illegible]

- H - [illegible]

- I - [illegible]

- J - [illegible]

- K - [illegible]

- L - [illegible]

- M - [illegible]

- N - [illegible]

- O - [illegible]

- P - Q - [illegible]

- R - [illegible]

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4 pm close July 26

NYSE COMPOSITE PRICES

Continued from previous page

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1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22	15½	S Anita Rt	1.36	7.7	17	80	17⅞	17⅜	17⅝	
20¾	15¾	SCOR US Cp	0.32	1.9	208	10	16½	16½	16½	+⅛
28½	20	SPS Techno	1.28	4.5	21	13	28¾	28⅜	28¾	+⅛
14½	12⅞	Sabine Rt	1.77	13.5	9	48	13¼	13⅛	13⅛	-⅛
13⅞	8⅞	Safecard	0.20	1.5	12	490	13⅜	12¼	13⅝	+1
23½	16⅞	Safeg'd Sc			9	116	18½	18	18⅜	
24¾	16	SafetyKln	0.36	2.3	24	977	16⅛	d15¾	15⅞	-⅛
17⅝	10⅞	Safeway			27	2825	17⅜	16⅞	17⅜	+½
3⅞	2	SafewayWt96				145	3¾	3⅝	3¾	+⅛
44½	37½	StJoePaper	0.20	0.5	87	24	41⅛	40⅞	41	+¼
37¾	31	StJosL&P	1.76	4.8	14	56	37	36⅝	36½	
86¾	75	St Paul's	2.80	3.2	13	1467	u86¾	85½	86⅝	+1⅝
11⅜	7⅞	Salant Crp			6	31	9⅝	9½	9⅝	
75¾	39⅞	Sallie Mae	1.20	2.6	10	8733	46⅛	44	46	+2⅛
13⅞	13	Salomon Br x	0.32	2.4		629	13½	13¼	13½	+⅛
41⅞	34	Salomonlnc	0.64	1.6	20	3852	40¼	39½	40¼	+¾
28⅞	23¾	SanDgo G&E	1.48	5.5	14	467	26¾	26⅝	26¾	
4⅝	3½	SantaFeEDu	0.40	10.0	200	30	4	3⅞	4	+⅛
11⅞	9⅛	SantaFeERs	0.16	1.7	925	1976	9½	9¼	9¼	-⅛
40¾	36¾	SantaFePac	2.80	7.2	13	128	39⅛	38¾	39	-⅞
18½	12¾	SantaFPac	0.10	0.6	20	2951	18	17¾	18	
31⅛	23¾	Sara Lee	0.58	2.5	16	7598	23⅜	d22⅝	22¾	-½
49	40⅛	Scana Corp	2.74	5.6	15	588	48¾	48⅜	48½	-⅛
24⅞	21½	Scecorp	1.42	5.9	14	2714	24¼	23¼	24⅛	+⅜
38⅞	23⅞	SchererRP			22	256	27¼	26¾	27	+½
70⅞	51¾	ScheringPl	1.80	2.7	17	2286	67¾	66⅞	66⅞	-¾
68⅞	55⅜	Sch'berger	1.20	1.9	24	3130	64⅞	64⅛	64⅛	-¾
29⅝	16½	Schwab(C)	0.20	0.7	16	965	28¼	27⅜	27⅞	+⅜
7¾	5⅝	Schwitzer			29	32	6¾	6½	6¾	+¼
35	17¼	ScientAtln	0.12	0.4	47	284	30¼	29¾	29⅞	+⅛
13¼	9⅞	Scotsman	0.10	0.8	13	117	12¼	12	12¼	+¼
41	31⅝	ScottPaper	0.80	2.5	19	1872	32	31⅞	32	+¼

- X - Y - Z -

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
88⅞	71½	Xerox	3.00	4.1	31	1986	74	73	73¾	+⅛
55½	51½	Xerox4.125	4.12	7.5		3	54¾	54½	54¾	+¼
50½	31¼	Xtra Corp	0.48	1.1	18	447	43⅝	42⅞	43	-½
25⅞	19½	Yankee Egy	1.16	4.5	16	112	u26¼	25¾	26	+⅛
1¼	⅞	Zapata			55	538	1⅛	1	1⅛	
10½	5⅞	ZenithElec			2	480	7¾	7⅜	7½	-⅛
29¼	19⅝	Zenith Nat	1.00	3.5	24	216	28⅞	28⅜	28⅞	+⅛
7⅞	6½	Zenix Inc x	0.82	10.5		101	7¾	7⅝	7¾	+⅛
15⅛	12¾	Zero Corp	0.40	2.9	18	245	13⅝	13⅜	13⅝	+⅛
40¾	31⅞	Zurn Ind	0.88	2.9	13	1410	31¾	d30⅛	30⅜	-2⅜
13¼	12⅝	Zweig Fund	1.12	8.7		130	12⅞	12¾	12⅞	
10⅝	9⅞	Zweig Totl	0.96	9.1		324	10½	10⅜	10½	

Price data supplied by Telekurs

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close July 26

NASDAQ NATIONAL MARKET

4 pm close July 26

AMERICA

US equities edge higher on economic data

Wall Street

US STOCK markets edged into record territory yesterday as investors opened the week with a burst of buying, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was 13.41 higher at 3,560.15. The more broadly based Standard & Poor's 500 was up 1.36 at 448.46, while the Amex composite was 0.79 firmer at 432.84, and the Nasdaq composite up 3.39 at 703.63. Trading volume on the NYSE was 132m shares by 1 pm.

Stock prices opened firmer in the wake of strong overseas equity markets and an early decline in bond yields. The overseas strength came from Europe, where the main index of German stocks rose 1.3 per cent. In the US bond market, prices rose at the start of trading, pushing the yield below 6.7 per cent.

Although bonds later lost their early ground, equities did not follow suit. Stocks were aided by some good economic news in the form of a 1.9 per cent jump in June existing home sales. By mid-morning the Dow had broken through its previous record of 3,555.40, set just last week, and was showing a 20-point gain.

Prices eased back later in the morning, however, and analysts voiced concern that the markets would struggle to hold their new record levels. In recent weeks, every time stocks have reached new highs, selling has quickly dragged prices lower, and analysts fear a similar pattern could be repeated this week, especially if the big forthcoming economic news – durable goods orders and second quarter gross domestic product – prove bearish.

Among individual stocks, second quarter earnings reports continued to dominate. Boeing rose $1⅞ to $39⅛ in heavy trading after the aircraft manufacturer posted stronger than expected earnings of $426m. Investors shrugged off warnings from Boeing about its near-term business prospects.

IBM traded lower ahead of today's expected unveiling of its second quarter results. The stock fell $⅜ to $41⅞ in volume of 1.7m shares as analysts and investors continued to speculate that the troubled computer group will announce a fresh charge against earnings, further job cuts, and possibly a reduced dividend payout.

Cummings Engine, the world's biggest independent manufacturer of diesel engines, tumbled $5¼ to $83½ on news of lower-than-expected second quarter earnings.

Mobil firmed $½ to $71½ after broking house Dean Witter raised its 1993 earnings estimate for the oil company following its strong second quarter results.

On the Nasdaq market, Reuters ADRs climbed $1⅞ to $64⅞ after the UK-based financial information group announced plans to buy back up to 5.8 per cent of its shares.

US Healthcare jumped $2¼ to $52 following an improvement in second quarter profits to 62 cents a share, up from 43 cents a share a year ago.

Canada

TORONTO bounced back after the market's recent correction, driven by recovering precious metals issues and firmer forestry stocks. The TSE-300 index rose 21.41 by lunchtime to 3,851.6.

SOUTH AFRICA

INDUSTRIAL shares declined in reaction to weekend violence, the index falling 12 to 4,515. Golds lost 10 to 1,853 and the overall index shed 13 to 3,986. De Beers advanced 35 cents to R80.35 and Vaal Reefs gained R4 at R338.

EUROPE

DAX closes at highest level since August 1990

WITH pressure on the French franc subsiding yesterday attention remained fixed on Thursday's crucial Buba meeting, *writes Our Markets Staff.*

FRANKFURT was lifted by a growing conviction among certain sections of traders that the Bundesbank will cut interest rates at Thursday's council meeting. The DAX index gained 23.69 or 1.3 per cent to 1,854.52, its highest level since August 2, 1990.

Some analysts noted that given that some of the market's strength has been coming from second and third line issues a period of consolidation may be approaching.

In spite of the widespread rate cut optimism there is a conflicting view among some analysts that recent poor economic data – with more expected during the week – leaves the Bundesbank no alternative but to leave rates alone until its return from the summer recess.

As Nikko Europe comments in a newsletter released on Friday, "the money supply figures showing M3 up 7.1 per cent and this week's inflation figures, expected to show a year-on-year increase from 4.2 per cent to 4.4 per cent, further emphasise that, on domestic grounds, an interest rate cut on Thursday cannot be justified".

Earlier yesterday some published west German regional CPI figures came in much as expected.

Viag continued to appreciate following Friday's late news that it could take a majority stake in Bayernwerk at what is considered to be a "bargain price". The shares gained DM35.00 or 8.5 per cent to DM445.50.

Schering was another stock on the move, up 1.8 per cent on the day, after the US authorities gave approval for its multiple sclerosis drug. The shares rose DM15.50 to DM850.00.

PARIS breached the 2,000 level as had been expected, having come close towards the end of last week on devaluation hopes. With the currency markets quieter yesterday, the CAC-40 index ended the session 11.18 higher at 2,006.22 in turnover of some FFr2.5bn.

FT-SE Actuaries Share Indices

July 26 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1236.02	1236.89	1237.16	1238.19	1238.64	1238.83	1239.12	1240.21
FT-SE Eurotrack 200	1291.97	1294.04	1293.60	1295.96	1295.26	1293.92	1294.62	1294.91

	Jul 23	Jul 22	Jul 21	Jul 20	Jul 19
FT-SE Eurotrack 100	1224.42	1217.14	1212.75	1224.85	1235.43
FT-SE Eurotrack 200	1279.96	1275.93	1266.97	1275.46	1283.54

Base value 1000 (26/10/90) High/day: 100 - 1240.21, 200 - 1295.96 Low/day: 100 - 1236.02 200 - 1291.97.

Paribas was one of the day's most active issues, advancing to a day and year's high of FFr465 before slipping back slightly to close up FFr13.30 at FFr453.20. Traders could ci te no specific reason for the gain.

LVMH lost FFr55 to FFr3,990, but off the day's low of FFr3,970, after disappointing first half figures.

ZURICH gained support from a firm dollar and expectations of good half-yearly results from the banks during the current reporting season and the SMI index rose 38.3 or 1.6 per cent to 2,388.8.

Nestlé, actively traded, rose SFr7 to SFr1,033, while among the banks, UBS bearers rose SFr32 to SFr1,187, CS Holding added SFr85 to SFr2,850 and SBC bearers were SFr5 ahead at a year's high of SFr457.

Continued strong demand for cyclicals took Alusuisse registered shares SFr3 higher to a year's peak of SFr533 while Holderbank advanced SFr27 to a 1993 high of SFr764.

MILAN edged lower in turnover that shrank to an estimated L250bn from Friday's L300bn, and the Comit index dipped 0.84 to 549.33.

However, the slightly firmer tone of the lira and a modest easing of rates at the Bank of Italy's repurchase tender helped shares to pick up from their day's lows.

Montedison, the most heavily traded stock, fell L24.3 to L678 ahead of today's meeting of creditors.

BRUSSELS finished flat after some late index related selling erased modest gains as currency concerns, high short-term interest rates and worries about budget talks weighed on the market. The Bel-20 index edged 0.16 higher at 1,307.18.

GIB, the retailer, representing almost one-seventh of the market's BFr940m turnover, dipped BFr10 to BFr1,256. Clabecq, the steel stock, rose BFr110 or 15.9 per cent to BFr800 after Friday's 16.9 per cent surge.

AMSTERDAM's CBS Tendency index gained 1.3 to 119.2 helped by good rises in index heavyweights, Royal Dutch, up Fl 1.90 to Fl 180.30 and Unilever, up Fl 1.80 to Fl 189.90.

STOCKHOLM rose on optimism over lower interest rates in the near future which spilled over into the banking sector. The Affärsvärlden general index rose 16.7 or 1.4 per cent to 1,171.2.

VIENNA advanced 2.7 per cent to just below its 1993 peak, prompting expectations that the 19-share index could breach the 1,000-level this week, in the absence of profit-taking. The ATX index finished 25.52 ahead at 962.42.

ISTANBUL fell almost 4 per cent amid heavy selling in the absence of fresh news to brighten the mood. The composite index shed 388.96 to 9,370.30, after last week's 8.08 per cent decline.

Carnegie International notes that the beginning of the first half results season is beginning to produce reasonable outperformance in individual stocks; but with money continuing to tighten and no good news appearing on the political or economic front, the basic direction of the index is likely to remain downwards.

TEL AVIV recouped early losses to close strongly ahead as the market reacted to a 2.1 per cent devaluation of the shekel against the dollar. The Mishtanim index gained 2.93 or 1.6 per cent to 186.14, in turnover of Shk185m.

ASIA PACIFIC

Hong Kong gains 1.6% after listing of China stock

Tokyo

BUYING by public funds and investment trusts absorbed arbitrage-related selling and the Nikkei average edged higher while most investors remained on the sidelines because of mounting political and economic uncertainty, *writes Emiko Terazono in Tokyo.*

The 225-issue index rose 87.51 to 19,822.08, failing to recoup Friday's 1.9 per cent loss, having fluctuated between a day's low of 19,707.97 and high of 19,836.68 on index-linked trade.

Volume shrank to 170m shares from 198m. The Topix index of all first section stocks put on 6.22 at 1,615.55, but declines led advances by 493 to 406, with 232 issues unchanged. In London the ISE/Nikkei 50 index was 0.28 firmer at 1,228.84.

Investors are wary over the likelihood of a non-LDP coalition forming the new government, given that two splinter groups are poised to join the coalition to be formed among the five opposition parties.

Further weak economic figures also weighed on sentiment. Department store sales for June fell 8.9 per cent from the previous year's, while the Bank of Japan said bank savings by retail customers were rising, reflecting consumer trends to save rather than spend.

Mr Geoffrey Barker, an economist at Baring Securities in Tokyo, observed that since a recovery in consumer spending depended heavily on the willingness of households to run down their savings, lower interest rates, falling inflation and the return of buyers to the housing market were providing a backdrop for a rise in confidence.

Hopes of lower interest rates supported banks. The bond market moved on similar speculation, with the yield on the No 145 10-year benchmark falling 3.5 basis points to 4.185 per cent. Industrial Bank of Japan rose Y30 to Y3,120 and Sakura Bank gained Y30 at Y1,630.

Suzuki Motor weakened Y6 to Y926 on reports that Volkswagen, of Germany, was likely to withdraw from a mini-car production venture in Spain.

Persistent fears that a bribery scandal could hurt leading construction companies also affected sentiment. Hazama, already implicated in three cases of bribery to politicians, dipped Y4 to Y431. Tobishima fell Y13 to Y438 and Nishimatsu Construction retreated Y4 to Y918.

Speculative favourites saw profit-taking. Nikkatsu, the day's most active issue, slipped Y1 to Y18 and Gajoen Kanko shed Y18 to Y135.

In Osaka, the OSE average edged ahead 6.71 to 21,842.26 in volume of 6.6m shares.

Roundup

THE region experienced mixed fortunes yesterday.

HONG KONG rose sharply as selling by overseas funds eased. The Hang Seng index put on 107.75, or 1.6 per cent, to 6,858.08 in HK$2.52bn turnover.

Brokers noted that nearly 10 per cent of the total volume was due to China's state-owned Shanghai Petrochemical, which began trading yesterday. The shares topped the active list, ending at HK$1.61, against the offer price of HK$1.58.

Property issues rebounded from last week's falls: Henderson Land climbed 80 cents to HK$20.40 and Cheung Kong rose 40 cents to HK$24.90.

TAIWAN built on Friday's 2.4 per cent rise, the weighted index ending 53.45 stronger at 4,083.87 after an intra-day high of 4,093.74. Turnover amounted to T$19.8bn.

Paper and construction shares were firmer, with China Steel up 60 cents at T$20.10.

SEOUL edged higher as buyers concentrated on small and medium-sized companies. The composite index appreciated 3.24 to 745.07.

MANILA lost ground, the composite index closing 11.68 down at 1,704.10. Manila Electric "B" shares rose 5 pesos to 237 pesos while Philippine Long Distance Telephone shed 25 pesos to 1,070 pesos.

SINGAPORE's Straits Times Industrial index initially fell 17 points on profit-taking before ending a net 11.46 off at 1,811.62.

Sembawang Shipyard, which is expected to report interim earnings this week, fell 20 cents to S$11.70.

KUALA LUMPUR declined from the day's high following a rumour about the health of China's paramount leader. The composite index was finally just 0.70 up at 758.35, after touching 761.60.

AUSTRALIA reversed down through the 1,800 level ahead of inflation and balance of payments data due this week.

The All Ordinaries index closed 11.1 easier at 1,795.7 in turnover of A$284.1m.

Among the banks, National Australia relinquished 8 cents to A$10.28 and Commonwealth 6 cents to A$8.68.

NEW ZEALAND finished slightly higher after trading in a narrow band on low turnover. The NZSE-40 capital index gained 1.82 at 1,725.29 in turnover of NZ$22.8m.

Fletcher Challenge eased 4 cents to NZ$2.84 and Telecom firmed a cent to NZ$3.30.

KARACHI continued to climb on settlement day after recording its biggest one-day gain on Sunday. The KSE index added 20.04 at 1,418.62.

ERM tensions cast shadow in Europe

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1993	Start of 1993	Start of 1993
Austria	+4.82	+8.14	+17.38	+19.61	+13.61	+12.33
Belgium	-1.46	+4.16	+16.56	+18.51	+11.94	+10.68
Denmark	-1.39	+0.35	+2.62	+19.79	+13.63	+12.35
Finland	+0.46	+14.07	+87.96	+53.64	+38.62	+37.08
France	+1.00	+2.28	+15.74	+9.96	+4.62	+3.44
Germany	+0.94	+7.63	+10.60	+18.23	+12.86	+11.39
Ireland	-1.10	+2.90	+26.83	+34.39	+17.61	+16.29
Italy	-0.91	+5.19	+54.47	+35.26	+25.67	+24.26
Netherlands	-0.19	+1.37	+18.89	+16.16	+10.57	+9.33
Norway	-2.00	+5.55	+19.22	+20.73	+15.11	+13.82
Spain	+0.73	+0.27	+24.80	+21.71	+2.89	+1.73
Sweden	+0.21	+6.79	+38.88	+16.93	+3.54	+2.37
Switzerland	-1.64	-0.12	+31.52	+14.85	+12.14	+10.88
UK	-0.18	-1.90	+20.66	+1.08	+1.08	-0.06
EUROPE	-0.02	+1.35	+21.02	+10.42	+6.56	+5.73
Australia	+0.48	+5.84	+7.88	+13.07	+12.70	+11.43
Hong Kong	-2.85	-4.29	+10.44	+22.70	+23.90	+22.50
Japan	-2.62	+1.76	+32.32	+21.91	+44.13	+42.51
Malaysia	+4.45	+7.49	+45.37	+29.89	+33.88	+32.38
New Zealand	+0.76	+3.47	+11.79	+13.86	+23.17	+21.80
Singapore	+3.18	+3.58	+22.88	+17.53	+20.51	+19.16
Canada	-2.13	-5.98	+3.70	+6.90	+7.40	+6.19
USA	+0.24	+0.04	+9.03	+2.73	+3.90	+2.73
Mexico	-2.26	+2.61	+5.97	-7.94	-6.92	-7.97
South Africa	-2.52	-1.12	+17.83	+27.73	+39.68	+38.11
WORLD INDEX	-0.82	+0.82	+17.96	+10.59	+15.68	+14.39

† Based on July 23rd 1993. Copyright, The Financial Times Limited, Goldman Sachs & Co, and NatWest Securities Limited.

By Michael Morgan

Tensions within the exchange rate mechanism overhung many European bourses last week, and the pressure seems likely to be undiminished, at least until Thursday's Bundesbank council meeting.

The FT-Actuaries World index dipped by 0.8 per cent in local currency terms, with the Pacific Basin showing the weakest performance and Europe flat.

Mr David Roche of Morgan Stanley sees two likely options for resolution of ERM problems: rate cuts within the ERM or suspension of the ERM and lower rates.

In his latest review, Mr Roche says: "The most elegant solution . . . would be a German rate cut combined with a widening of current ERM bands, perhaps to 6 per cent, prior to the Bundesbank's summer recess."

However, during the current ERM turmoil, he expects rising interest rates to depress the French equity market, particularly the financial stocks. Germany will outperform most other European markets; Italy may have a temporary correction; while Spanish equities will remain vulnerable.

Elsewhere in Europe, Austria went its own way last week, the market advancing 4.8 per cent.

Kleinwort Benson notes that the recent strong rise has followed a pattern seen elsewhere in Europe, notably in Germany. "Hopes of economic recovery have encouraged the buying of export and cyclical stocks," says its monthly review. "In Austria, the rally has been led by the paper, refractory and chemical sectors. Falling interest rates have helped because of the high levels of gearing in many of the companies."

However, Kleinwort warns that although the economy will be helped by tax reform in 1994, high public borrowing and sluggishness in the German economy could retard Austria's economic recovery, and therefore the equity market may have rallied a little too soon.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY JULY 23 1993								THURSDAY JULY 22 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (69)	139.42	+0.6	138.08	94.12	124.60	136.82	+0.2	3.67	138.56	136.22	93.58	123.04	136.48	144.19	117.39	142.09
Austria (17)	157.44	+0.1	155.93	106.29	140.71	140.41	+0.5	1.38	157.25	154.60	106.21	139.63	139.71	157.44	131.16	150.55
Belgium (42)	147.46	-0.6	146.04	99.54	131.78	129.46	+0.1	4.42	148.31	145.81	100.16	131.69	129.29	156.76	131.19	144.69
Canada (108)	122.80	-0.1	121.62	82.90	109.74	113.82	+0.0	2.95	122.89	120.82	83.00	109.12	113.86	130.38	111.41	126.95
Denmark (33)	209.11	-1.0	207.10	141.17	186.88	190.27	-0.2	1.19	211.21	207.65	142.66	187.55	190.60	225.64	185.11	234.80
Finland (23)	95.42	-1.2	94.50	64.42	85.28	117.40	-1.3	1.04	96.56	94.93	65.22	85.74	118.95	100.92	65.50	71.12
France (97)	152.25	+0.8	150.78	102.78	136.05	140.25	+1.4	3.27	151.11	148.57	102.06	134.17	138.37	167.36	142.72	152.48
Germany (60)	115.89	-0.3	114.78	78.25	103.57	103.57	+0.4	2.04	116.20	114.24	78.49	103.18	103.18	117.10	101.59	118.38
Hong Kong (55)	271.42	-0.1	268.81	183.23	242.58	270.20	-0.1	3.50	271.60	267.02	183.44	241.19	270.38	301.61	218.82	240.79
Ireland (15)	157.90	-1.3	156.38	106.60	141.12	158.42	-0.9	3.48	159.95	157.25	108.03	142.03	159.90	170.40	129.28	157.31
Italy (70)	68.18	+0.0	67.52	46.02	60.93	81.67	-0.1	1.99	68.16	67.01	46.03	60.52	81.75	72.82	53.78	61.80
Japan (470)	149.68	-1.5	148.24	101.05	133.79	101.05	-1.6	0.82	152.02	149.45	102.67	135.00	102.67	155.96	100.75	92.72
Malaysia (69)	346.11	+0.6	342.78	233.65	309.31	342.11	+0.6	1.97	343.88	338.08	232.25	305.35	340.04	349.34	251.66	240.76
Mexico (19)	1516.57	-0.8	1501.97	1023.84	1355.37	5175.05	-0.8	0.95	1528.84	1503.07	1032.60	1357.56	5215.23	1725.81	1410.30	1397.00
Netherland (24)	165.53	-0.3	163.93	111.75	147.93	146.00	+0.2	3.76	166.09	163.29	112.18	147.49	145.70	172.75	150.39	158.18
New Zealand (13)	52.24	-0.8	51.73	35.27	46.69	50.45	-0.9	4.42	52.68	51.79	35.58	46.78	50.89	52.94	40.56	46.55
Norway (22)	156.74	-0.8	155.23	105.82	140.08	156.10	-0.5	1.69	157.94	155.27	106.67	140.25	156.86	166.21	137.71	164.65
Singapore (38)	254.24	+0.1	251.80	171.64	227.22	189.57	+0.2	1.82	253.93	249.65	171.51	225.48	189.28	262.72	207.04	203.31
South Africa (60)	204.54	+2.0	202.57	138.08	182.79	200.73	+0.4	2.55	200.52	197.14	135.43	178.05	199.85	211.77	144.72	194.69
Spain (44)	118.63	+0.5	117.49	80.09	106.02	123.17	+0.5	4.75	118.00	116.01	79.70	104.78	122.55	132.82	115.23	136.49
Sweden (36)	169.49	+0.4	167.86	114.43	151.48	202.68	+0.5	1.66	168.75	165.91	113.98	149.85	201.60	184.06	149.70	179.45
Switzerland (50)	125.30	-0.8	124.09	84.59	111.99	117.92	+0.1	1.84	126.37	124.24	85.36	112.23	117.75	129.36	106.91	108.57
United Kingdom (218)	172.26	-0.5	170.60	116.28	153.93	170.60	+0.2	4.06	173.11	170.19	116.91	153.70	170.19	181.99	162.00	179.60
USA (520)	182.97	+0.5	181.21	123.53	163.53	182.97	+0.5	2.80	181.98	178.91	122.92	161.60	181.98	186.27	175.38	167.77
Europe (751)	143.31	-0.2	141.93	96.75	128.08	137.86	+0.4	3.24	143.66	141.24	97.03	127.57	137.35	149.02	133.92	144.45
Nordic (114)	160.70	-0.2	159.15	108.49	143.62	167.64	+0.1	1.48	160.96	158.25	108.72	142.93	167.50	171.77	142.13	169.29
Pacific Basin (714)	153.03	-1.3	151.56	103.31	136.77	107.48	-1.4	1.10	155.09	152.48	104.76	137.72	108.99	159.07	105.89	99.47
Euro-Pacific (1465)	148.93	-0.9	147.50	100.53	133.09	120.14	-0.7	1.94	150.29	147.75	101.50	133.44	120.98	154.05	117.26	117.66
North America (628)	179.23	+0.5	177.51	121.01	160.21	178.28	+0.5	2.81	178.30	175.30	120.44	158.36	177.35	182.38	171.51	165.21
Europe Ex. UK (533)	125.06	-0.1	123.85	84.44	111.79	118.64	+0.5	2.69	125.15	123.04	84.55	111.16	118.11	128.65	112.51	123.18
Pacific Ex. Japan (244)	186.49	+0.3	184.69	125.92	166.68	172.42	+0.1	3.20	186.01	182.87	125.65	165.19	172.19	194.08	152.70	166.12
World Ex. US (1652)	149.45	-0.8	148.01	100.90	133.57	122.06	-0.7	1.97	150.71	148.17	101.80	133.83	122.90	154.27	118.51	119.61
World Ex. UK (1954)	158.45	-0.3	156.92	106.97	141.62	137.85	-0.2	2.11	158.91	156.24	107.34	141.13	138.19	161.34	134.22	130.71
World Ex. So. Af. (2112)	159.48	-0.3	157.94	107.67	142.54	140.40	-0.2	2.29	160.01	157.32	108.08	142.10	140.69	162.74	137.29	134.58
World Ex. Japan (1702)	166.92	+0.3	165.32	112.70	149.20	163.21	+0.4	2.96	166.50	163.69	112.47	147.87	162.61	170.05	157.47	158.39
The World Index (2172)	159.69	-0.3	158.15	107.81	142.72	140.91	-0.2	2.29	160.18	157.49	108.20	142.25	141.20	162.86	137.32	134.93

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